



China's Emerging Markets:

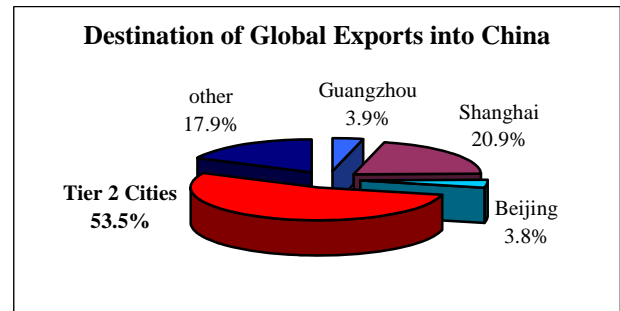
Opportunities in the Dental and Dental Lab Industry

Thirteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

China's Real Economic Engine....

China's unprecedented growth and the opportunities it presents are no longer a secret to anyone in the business world. While megacities such as Beijing and Shanghai have long captured much of the spotlight, it is behind the scenes in second-tier cities where one can witness the *real* source of China's economic growth. Unlike what one might expect, the majority of China's imports are *not* ending up in Shanghai, Beijing, or Guangzhou. Rather, a select group of thirteen second-tier cities¹ account for an astonishing 53% of China's total imports, almost double the amount of the three megacities combined.

Local entrepreneurs in these emerging cities are not the only ones reaping the benefits. These cities have become importing havens and present lucrative opportunities, especially for US companies. Perhaps the critical question for American firms is not *whether* there is a second-tier city market, but *which* region is best for a particular industry or product.



Opportunities in the dental and dental lab industries.

The Chinese dental equipment market is estimated to be worth about \$150 million². Imports account for about one-third the overall market, reaching a value of \$47.7 million in 2006. The market should continue growing at minimum 10-15% for the next few years. The table to the right shows the import value between 2002 and 2006 by type of product.

China's dental market lags behind other healthcare services and has largely been neglected in the past. However with increasing affluence of

Description	2002	2003	2004	2005	2006	CAGR 02-06
Dental drill engine & parts	3.4	3.3	4.9	5.2	5.8	14.6%
Dentists' chairs incorporating dental equipment	6.6	8.3	10.75	6.7	9.8	10.3%
Other, including dental hand instruments, appliances, parts and accessories	9.1	10.1	15.9	10.1	12.2	7.7%
Apparatus based on use of X-rays for dental uses	3.5	3.2	4.3	4	4.6	7.2%
Apparatus based on use of alpha, beta, gamma radiation for medical, dental or veterinary uses	6.2	12.9	7.7	13	15.2	25.2%
Total	28.5	37.8	43.5	39	47.7	13.5%
Source: World Trade Atlas, China Customs						

¹ Harbin, Dalian, Qingdao, Tianjin, Xian, Wuhan, Hangzhou, Ningbo, Nanjing, Chongqing, Kunming, Zhuhai, Shenzhen, and Xiamen

² Market size estimates from secondary data range from \$100 to \$150 million. The \$150 estimate is derived combining multiple sources include trade data, domestic production data, JLJ analysis, and secondary sources

the Chinese population, as well as increasing attention towards personal care, demand for dental services has been growing.

Promising Markets in Emerging Cities

The map to the right represents China's emerging markets with the highest potentials for U.S. exporters of dental and dental lab equipment. These markets vary widely with regards to the time frame in which these markets will fully develop and mature. Those cities listed in red have been selected for varying factors that will be discussed below. The important question for exporters to ask is not where the market is, but rather when these emerging markets will mature.



Shenzhen—A true economic miracle

Located in the southern Pearl River delta just across the border from Hong Kong's New Territories, Shenzhen has been one of the fastest growing cities in the world since its opening in the late 1970s. Once a small fishing village, Shenzhen is now the busiest port in China and the largest manufacturing base in the world. Shenzhen is a major center for foreign investment and trade—the bustling city imports more goods than *any* other city in China. Shenzhen was recently ranked by the World Bank as having the second best investment climate for foreign firms and third most effective local government in all of China.

Shenzhen Economic Indicators

City Population: **10 Million**
Provincial GDP: **USD 42 Billion**
Annual Avg. Per Capita GDP: **USD 7,620**
Import Value: **USD 119.5 Billion**
Imports from US: **USD 4.6 Billion**

Dental and dental lab equipment

Shenzhen is one of the wealthiest and most open cities in China. Due to early economic development and close proximity to Hong Kong, imported products are well received. There is a strong middle class consumer group and demand for dental care has been increasing with rising incomes and increasing attention paid to personal care. Although total imports declined between 2004 and 2006, this was mainly due to procurement of large equipment in 2002 to 2004. Demand for imported equipment is expected to pick up in the next few years due to cyclical purchasing patterns, and the opening of the first specialist dental hospital. Best prospects are *instruments, consumables* and *dentists' chairs*. Shenzhen is also an ideal base for US exporters to explore the rest of the Pearl River Delta market.

Tianjin— China's next coastal megacity

Located just 75 miles southeast of Beijing, Tianjin is China's third largest city and one of the fastest growing economies in the country. One of only four municipalities that are directly administered by the central government, Tianjin is being groomed by national planners to become one of the key industrial and distribution hubs of North-Central China. Tianjin lies at the crossroads of six national highways as well as seven expressways and is home to the sixth largest port in China.

Tianjin is the United States' fifth largest trading partner in China, and ranked by the World Bank as having one of the one of the top-twenty best investment climates for foreign firms in China.³ The city's rapid growth has been accompanied by a dramatic increase in its demand for foreign goods— Tianjin's imports from numerous key industries have increased by double-digit figures in recent years.⁴ The United States is Tianjin's third largest trading partner— 10% the city's imports originate in the U.S.

Tianjin Economic Indicators

City Population: 10.24 Million
Provincial GDP: USD 36 Billion
Annual Avg. Per Capita GDP: USD 3,812
Import Value: USD 44.95 Billion
Imports from US: USD 4.37 Billion

Dental and dental lab equipment

The Tianjin dental market is an attractive one for US exporters due to the strong economy, large population and high GDP per capita. People are paying increasing attention to personal care, thus demand for dental care is also increasing. The development of the Binhai New District is also expected to spike demand for dental equipment in the next few years. Because of its proximity to Beijing, Tianjin closely mirrors trends in Beijing, with similar product usage patterns. Products with good brand awareness and reputation in Beijing are also likely to do well in Tianjin. Over the next few years, *dentists' chairs* incorporating dental equipment will offer the best prospects, for which technology, user training and after-sales service are key factors of consideration for prospective buyers.

Nanjing— Southern Capital and Regional Hub

Located in the Yangtze river basin, Nanjing is the political, economic and cultural center of Jiangsu Province. Considered one of China's four great ancient capitals, modern Nanjing has emerged as eastern China's second largest commercial center. The city ranks seventh in overall competitiveness among Chinese cities and was recently ranked by Forbes magazine as being one of the top ten commercial cities in China. Nanjing's growing industrial sector has benefited from the city's abundance of natural resources and close proximity to Shanghai.

Nanjing Economic Indicators

City Population: 6 Million
Provincial GDP: USD 191 Billion
Annual Avg. Per Capita GDP: USD 6,449
Import Value: USD 100.4 Billion
Imports from US: USD 6.1 Billion

Firms from the United States have historically fared well in Nanjing. Over a thousand American companies have operations in the city. In 2005, the U.S. ranked as Nanjing's second largest trading partner.

³ See: World Bank Report— "Governance, Investment Climate and Harmonious Society: Competitiveness Enhancements for 120 Cities in China"; released October 8th 2006.

⁴ This list includes: Construction equipment, electrical components, integrated circuits, machine tools, medical devices, oil & gas, packaging materials, security products and telecom goods.

Dental and dental lab equipment

Nanjing, together with Jiangsu province, has seen rapid economic development in recent years. Demand for dental care and imported equipment in Nanjing is still low, but is expected to increase in the next few years with rising GDP per capita and switching from domestic or low-tech products to more advanced imported products. Nanjing is also an important military base and military hospitals are an important buyer group. Market trends follow those in Shanghai, and hospitals generally prefer products which have already a successful track record in Shanghai, as opposed to trying new products, brands or technologies. Price-quality ratio is a key factor and the middle market offers the best potential for US exporters. Due to the small size (though rapidly growing) of the Nanjing local market, US exporters still gain the best market access by using large regional distributors based in Shanghai.

Xi'an—Ancient Capital and Modern Hub

Located in the Wei River Valley at the foot of the Qinling mountain range, Xi'an is the capital of Shaanxi Province. Once considered one of the four great ancient capitals of China, modern Xi'an is the most industrialized and developed city in northwestern China and is one of the country's most popular tourist destinations. Xi'an is one of the PRC's ten largest cities and has the 39th highest per capita GDP in the country.⁵ Xi'an imports more goods from the United States than any other country— 29% of the city's imports come from the United States.

Xi'an Economic Indicators

City Population: **7.14 Million**
Provincial GDP: **USD 45.9 Billion**
Annual Avg. Per Capita GDP: **USD 2,025**
Import Value: **USD 1.5 Billion**
Imports from US: **USD 422 Million**

In the last five years, Shaanxi Province's transportation infrastructure has been upgraded to improve transport flow and distribution logistics. These upgrades have led Shaanxi to become one of central China's key transportation hubs. As a result of these improvements, Shaanxi has become the largest hub on the new Europe-Asia land route.

Dental and dental lab equipment

Although not a wealthy city, Xi'an is still a promising market in the mid-long term. The economy is growing rapidly with government policies aimed at developing the region, and demand for dental care will rise as purchasing power increases. As a key military base, the purchasing power of military hospitals is considerable. Xi'an is also a research base for dental study and the city boasts several renowned dental hospitals and labs. Promising products include *dental drills*, *dentist chairs* and *hand instruments*. US exporters can access the market through local distributors in Xi'an or regional distributors based in Beijing.

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For further information:

⁵ Source: Wikipedia

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