

China Healthcare

Consumption downgrade unseen in TCM yet: key takeaways from our call

Industry Overview

We invited Mr. Hanbing Li, from Hunan Chujitang Medicine Chain Co., Ltd, to share his observation on the recent trend of traditional Chinese medicine (TCM) sales. The expert's observation is based on sample channels in limited regions, thus may not present the situation on the national level.

Consumption downgrade not observed in TCM yet

Mr. Li shared that, amid the weak macro environment, he has not observed a consumption downgrade in TCM yet, as corrections in the unit price for the CPM and TCM decoction pieces was not observed in the retail channels. By subcategories, the CPM delivered faster growth vs. TCM decoction pieces. In some categories, such as E-jiao, although strong growth in the low-middle-end brands was observed, Mr. Li believes that growth was mainly contributed by the increased market penetration, rather than the consumption downgrade.

Rising demand for heat-clearing and supplement TCM

Impact by the respiratory illness' upsurge in 2H2023, Mr. Li saw solid growth for the anti-infection drugs (e.g., azithromycin) and heat-clearing TCM (e.g., Jin Zheng and Feilike Heji) in Sep-Nov 2023. Besides, due to the rising demand for immune system enhancement purpose TCM, the expert noted sales growth in supplement TCMs, including E-jiao, Milkvetch Root, and American and fresh ginseng. In particular, the expert observed over 1000% YoY growth in sugar-free Milkvetch Root granule and sugar-free compound E-jiao Jiang in 4Q23, implying a strong demand for the supplement TCM among patients with basic diseases (e.g., diabetes).

Updates on prescription outflow and buying pattern

Regarding the updated observation on prescription outflows, Mr. Li said that most of the prescriptions in their channels are from third-party Internet hospitals, and <5% are from hospitals. On the reform of UEMBI pooling account outpatient management, he observed a limited impact, and the prescription outflow from hospitals is largely flat after the new policy, per Mr. Li. Besides, the expert shared that around 55% of purchases in their pharmacies were covered by basic medical insurance and 45% were from the patient's own pockets. Additionally, Mr. Li noted that around 85% of purchases were for treating diseases, while around 10-13% for the healthcare purpose and about 2-5% for gifting.

Angong Niu Huang Wan: strong demand amid price hikes

On the sales of TRT Angong Niu Huang Wan, Mr. Li saw a solid YoY growth of around 40% in 4Q23. Regarding the average selling price, Mr. Li has observed a sales price growth of around 8.4%/5.3% for TRT's golden/normal Angong Niu Huang Wan since May 2023, and he expects an extra 5% sales price growth for the TRT golden Angong Niu Huang Wan in the future due to the growing price of raw medicinal materials.

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Abbreviations:

TCM: traditional Chinese medicine

CPM: Chinese Proprietary Medicines

UEMBI: Urban Employee Basic Medical Insurance

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