

PEST Analysis of the Comprehensive Health Industry Industry in the Context of Healthy China

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Abstract: With the introduction of Healthy China strategy and the strengthening of health consciousness among the public, the enlarged health industry ushers in new opportunities for development. Based on previous literature in this regard and the strategy of Healthy China, this paper attempts to define the enlarged health industry and carries out a PEST analysis to unveil the current development, environment and existing problems. It then offers suggestions on industrial structure, talent cultivation and reservation, and other factors. It is hoped that this paper can contribute to the sustainable development of the enlarged health industry and the construction of Healthy China.

Keywords: Healthy China; enlarged health industry; enlarged health

1. The definitions of Healthy China and enlarged health industry

1.1 The connotation of Healthy China

The term “Healthy China” was first mentioned by Premier Li Keqiang in the Report on the Work of the Government in 2015. According to Premier Li, health is the primary need of the public. In August 2016, at the National Health and Fitness Conference, General Secretary Xi Jinping proposed to “place people’s health in a prioritized strategic position, try all means to ensure people’s lifetime health in an all-round way, and do comprehensive planning for ‘Healthy China.’” On October 25, 2016, the CPC Central Committee and the State Council, in accordance with the strategic planning formulated and passed at the Fifth Plenary Session of the 18th CPC Central Committee, jointly formulated, issued and implemented the Healthy China 2030

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Planning Outline. Following that, on October 18, 2017, the Healthy China initiative was officially proposed at the 19th CPC National Congress.

The Healthy China initiative embodies socialism with Chinese characteristics in national health, targets the entire Chinese population throughout their lifetimes, adheres to the strategic theme of “Co-building, sharing and health for all” and follows the principles of health first, reform and innovation, scientific development, fairness and equality. China is to further develop a enlarged health industry, improve living environments, raise public health awareness, improve health services and popularize health security in a bid to substantially improve people’s health and gradually develop the enlarged health industry into a pillar of the national economy. It strives to lay a solid basis of public health for realizing the Chinese Dream, the great rejuvenation of the Chinese nation and achieving the Two Centenary Goals, the building of a moderately prosperous society in all respects by the time the Communist Party of China celebrates its centenary in 2021 and turning the People’s Republic of China into a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious by the time the Party celebrates its centenary in 2049.

1.2 The definition of enlarged health industry

The enlarged health industry is different from the existing health industry, which relies primarily on support from healthcare systems and mainly engages in the sale of traditional healthcare products. In recent years, the rising living standard, along with the accelerated pace of life, has significantly increased the proportions of population suffering sub-health, mental illness, chronic diseases and other lifestyle ailments. In this context, the traditional medical and health industry can no longer satisfy people’s needs and the enlarged health industry must be developed.

There are various interpretations of the

enlarged health industry, which can be summarized as an industry that offers all-round health support that concerns physiology, psychology and social adaptation to people throughout their lives. More specifically, the enlarged health industry divides the human lifecycle both horizontally and vertically to form a four-dimensional coordinate system, which offers life stage specific solutions to physiological, psychological and lifestyle problems, and consolidates this industry by satisfying these social needs. The development of the enlarged health industry depends on existing policies, people’s needs, social development and the overall environment. Some segments of the enlarged health industry are transformed from those of the traditional health industry while others will be newly developed in response to the public’s increasing needs for health.

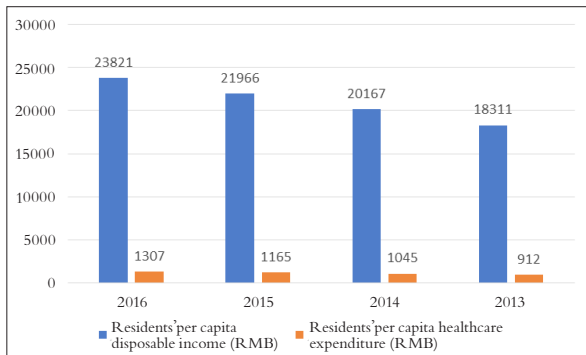
2. The development of China’s enlarged health industry

2.1 The industry is relatively slow in development

The development of the enlarged health industry will inevitably rely on emerging technologies and will echo people’s demands. According to the targeted groups it serves, China’s existing enlarged health industry can be divided into two categories, medical and non-medical service providers. Medical service providers include hospitals, health centers, sanatoriums, clinics, first-aid stations and other such facilities. Non-medical service providers refer to institutions and centers for medical and health services, medical care, health monitoring, hygiene, traditional Chinese medical care, rehabilitation nursing, health management education and training, care, counseling, insurance, rehabilitation and treatment^①.

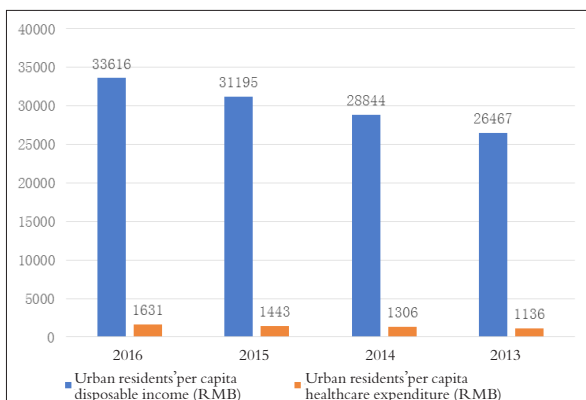
① Jiao, 2013

Chart 1 Residents' Per Capita Disposable Income and Healthcare Expenditure



According to data from the National Bureau of Statistics, in 2016, the per capita disposable income of Chinese residents reached RMB 23,821, only 5.48% of which (RMB 1,307) was spent on healthcare. This proportion in 2015, 2014 and 2013 was respectively 5.30%, 5.18% and 4.98%. It is true that the proportion of healthcare consumption is on the rise. Still, given the 7% growth in per capita dispensable income during the same period, such a rise is far from significant. Moreover, the rural-urban imbalance results in difference in healthcare expenditure between rural and urban residents.

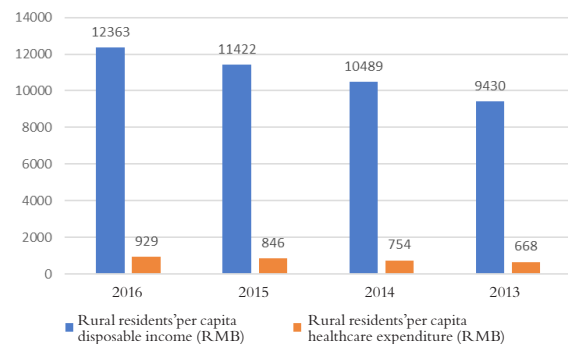
Chart 2 Urban Residents' Per Capita Disposable Income and Healthcare Expenditure



The data indicates that the annual per capita urban healthcare consumption over the years respectively accounted for 4.29%, 4.52%, 4.63% and 4.85% of per

capita urban disposable income, which were all below the national average. However, the actual per capita urban healthcare consumption in 2013 was almost equal to the actual national average in 2015. Being more aware of factors such as inflation and economic development, urban residents are supposed to have a better sense of healthcare and perform better in the enlarged health industry. The concept of healthcare is more extensively accepted in urban China.

Chart 3 Rural Residents' Per Capita Disposable Income and Healthcare Expenditure



The data indicates that the annual per capita rural healthcare consumption over the years respectively accounted for 7.5%, 7.4%, 7.1% and 7.0% of rural per capita disposable income. The actual per capita rural healthcare consumption saw a steady rise year by year. In terms of the proportion of per capita healthcare consumption in per capita income, the rural proportion remained higher than the urban proportion during the same period. It is noteworthy that rural residents' previous healthcare consumption was a small base. For example, in 2013, the per capita rural healthcare consumption was only half of the per capita urban figure.

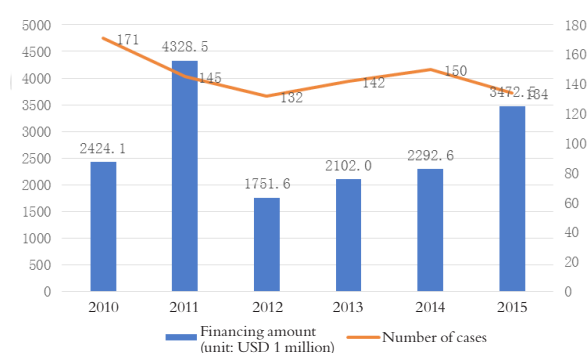
Although the Chinese health industry's contribution to GDP has been on the rise, China, with its health industry accounting for merely 4%-5% of its GDP, still lags such major players as the USA, Canada and Japan, whose proportions respectively exceed 15%, 10% and 10%. This indicates that the Chinese health industry is at an early development stage and

that there is still a lot to improve^①.

2.2. High market demand & promising development prospects

2.2.1 Steady increases in financing & investment

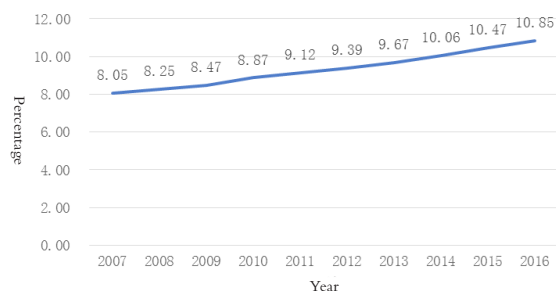
Chart 4 Financing & Investments in Enlarged health 2010–2015^②



From 2012 to 2015, the enlarged health industry's financing was on the rise. Driven by favorable policies, substantial assets swarmed into this industry in 2011. With investors investing more rationally, this tide began to fall in 2012 and since then has developed at a steady pace. In 2015, financing of the industry saw a year-on-year increase of 51.5%. Compared with 2014, there was a decrease in financing cases but an increase in total investments. This indicates that the enlarged health industry has grown into a designated size and that its market prospects are attractive to investment institutions.

2.2.2 Demographic structure-enabled broad health market

Chart 5 Proportion of China's Citizens Aged 65 and above



Data source: The National Bureau of Statistics

According to WHO's new standard, a society is "aging" when 7% of its population is 65 or older. Since 2000, China has had an aging society and has been faced with the situation of so called "getting old before getting rich." Worse still, for historical reasons, China may be undermined by the gap in social security funding. Its aging population challenges the already situation caused by this funding gap. The development of the enlarged health industry will make substantial contributions to the reduction of healthcare expenditures.

The Healthy China 2030 Planning Outline is a powerful policy driver for the development of comprehensive health. According to data from the National Bureau of Statistics, citizens aged 65 and above currently account for 10.85% of the population of China. People today attach more importance to life quality, as well as longevity. In such a context, consumers with greater purchasing power have an urgent need for health management, which gives rise to a huge market for enlarged health services.

2.3 PEST analysis of the enlarged health industry

2.3.1 Political environment

In recent years, the Chinese government has gradually increased its support for the enlarged health industry. At the 2016 National Conference on Health and Fitness, General Secretary Xi Jinping proposed comprehensive planning for the Healthy China initiative. On October 25, 2016, the CPC Central Committee and the State Council, in accordance with the strategic planning formulated and passed at the Fifth Plenary Session of the 18th Central Committee of the Communist Party of China, formulated, issued and implemented the Healthy China 2030 Planning Outline. Following that, on October 18, 2017, the Healthy China initiative was officially proposed at the

① Zhao, 2017

② Zou, 2016

19th CPC National Congress, laying a solid political basis for the emergence and development of the enlarged health industry.

2.3.2 Economic environment

Since 2012, China has maintained its GDP growth at over 6%, which was indeed lower than previous figures. Nonetheless, its industrial structure is becoming more rational and its economic growth increasingly relies on the secondary and tertiary industries instead of the primary industry. The implementation of the innovation-driven strategy has boosted the growth of a batch of high-tech enterprises, including those engaged in big data and the Internet. Enlarged health industry belongs to the tertiary industry, which witnesses steady development and has a promising future. In 2016, the tertiary industry's added value increased by 7.8% to RMB 3.84 billion.^①

2.3.3 Social environment

Given that citizens aged 65 and above now account for 10.85% of the population of China, there is a huge healthcare demand. As the Chinese people's per capita disposable income increases year by year (both in urban and rural areas), their consumption capacity has been significantly enhanced. The lengthened life expectancy, along with the increased per capita disposable income, enables Chinese people to pursue a better and healthier life. Their pursuit is exactly what the enlarged health industry strives to satisfy. Adapting to consumer demands, this industry is sure to have good development prospects.

2.3.4 Technical environment

As the Internet and computer technology further develop, big data-enabled health management apps are more extensively applied to real life. The enlarged health industry cannot expect to grow without information integration and data sharing, both of which are already well developed. Recent years have witnessed the emergence and popularization of a

number of sports and fitness apps. The existing apps are probably the forerunners of future enlarged health apps, which will be even more pervasive.

3. Suggestions on promoting the development of the enlarged health industry

3.1 Industrial restructuring and high-tech integration

In terms of industrial classification, the enlarged health industry falls into the tertiary industry and is technology intensive. Today, the health industry is still dominated by a few traditional sectors, such as pharmaceutical sales and medical device manufacturing. In the future, China should step by step readjust this industrial structure and prioritize the development of health services (health management, health counseling, etc.) to create a new growth pole for the health industry.

The enlarged health industry, health management in particular, must form certain industry norms to facilitate further development, develop a standard operational process and model for resource optimization, and provide customized health management services tailored to individual needs. The purpose is to reduce resource consumption while raising efficiency. Also, considering that this industry's expertise, know-how and practice are non-replicable, the enlarged health industry must allow resource sharing and integrate Internet data to form a database to enable scale expansion and industrial development. To be specific, it should build a database of individual cases that covers the entire industry. Based on analyses of user group-specific data, corresponding guidance and suggestions are offered to improve the work efficiency and performance of frontline workers.

3.2 Building a talent cultivation and reserve system

Due to the enlarged health industry's specificity,

① Data source: The National Bureau of Statistics

relevant health consultants or service providers are all talent-based. There are employees that are simply irreplaceable. The loss of such employees can bring immeasurable damage to such an enterprise. Therefore, it is imperative to build a sound and complete system of talent cultivation and reserve. Enterprises in health industry are advised to take the following measures.

3.2.1 Implementing job rotation

Relevant enterprises should apply job rotation to newly recruited staff or proposed trainees to familiarize them with the businesses at multiple divisions. Once brain drain occurs, relevant enterprises can immediately fill the vacancies with trained talents so that corresponding business is not affected.

3.2.2 Introducing appropriate equity incentives

At joint-stock enterprises and institutions, key staff should be offered appropriate equity incentives to link them tightly with enterprise development in the form of a stock bonus. This can maximize the staff's initiative. Also, the ownership of certain equities naturally gives the staff a stronger sense of belonging to an enterprise, which helps to decrease talent mobility and thus save labor costs.

3.2.3 Specifying job responsibilities

Given that most enterprises in the enlarged health industry are in the service provider category, specifying job responsibilities ensures staff at all levels to be goal-oriented. Clear and well-defined

job responsibilities help new employees quickly adapt to new environments, and also allow HR to timely evaluate the impact of relevant employees' resignations. In short, well-defined job responsibilities ensure quick responses to filling vacancies.

3.3 Being demand-oriented

No industry can develop without satisfying market demand and promoting social development. Compared with daily necessities, fast fashion and other fast-moving consumer goods (FMCG), the enlarged health industry has a longer pay-off period. Startups should avoid easily changing business concepts for short-term gains; throughout the industry lifecycle, they should be under proper guidance to precisely target social needs.

4. Conclusion and implication

It is true that the enlarged health industry is now at a stage of vigorous development. Yet, this industry is also faced with various problems such as irrational structure and inadequate development. If we acknowledge the existing problems, completes industry restructuring, optimizes resource allocations and enhances talent cultivation, the enlarged health industry will surely develop into a new growth pole of the national economy and play a considerable role in the realization of the Healthy China initiative.

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