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Henry Schein Seeks Dental Partners to Gain Share of Rapid Growth in China

By Natasha Khan - Dec 5, 2011

Henry Schein Inc., the biggest distributor of dental products to office-based dentists in [North America](#), is seeking partners in China to tap “rapid” growth in the world’s second-biggest economy, said Chief Executive Officer Stanley M. Bergman.

The company, which sells dental products such as mouth guards and wires used to straighten teeth to dentists, will hire more workers as it looks to become the “one-stop shop” for dentists in China, Bergman said.

“It’s only a matter of time before the demand for dental grows to the same level of demand for a Mercedes Benz,” Bergman said in a phone interview. “At some point, China will obviously be the largest provider of dental services in the world.”

The dental market is now valued at from \$400 million to \$600 million, and will double within five years, said Bergman, who is also the Melville, New York-based company’s chairman. “I’d be happy to have 8 to 12 percent of that and grow along with it.” China still has a low number of dentists per citizen as compared with more-developed regional neighbors.

“China’s development has changed, and will continue to change its oral health environment,” said Colman McGrath, professor in dental public health at the [University of Hong Kong](#). “People are more aware of the importance of oral health and are more willing to spend time and money on fixing their teeth.”

Q&M Dental

[Q&M Dental Group \(QNM\)](#) is among companies expanding its private dental practice in China. Armed with \$15 million from the [World Bank](#), Q&M plans to open as many as 25 clinics in [Shanghai](#) by 2016, said Valliappan Subramaniam, the Singapore-based dental services provider's group operations director.

"The market is tremendous," Subramaniam said. The ratio of dentists to patients is 1 to 10,000 in China, while it's 1 to 3,500 in [Singapore](#) and 1 to 1,200 in [Japan](#), he said. Only 8 percent of the Chinese population visit the dentist annually, compared with 45 percent of people in Singapore. The premium segment of the consumer oral care market is also expanding, said Ted Hurley, director for fast moving consumer goods clients at market information provider [Nielsen](#) Greater China. Whitening toothpaste is now both the largest and fastest growing segment within the toothpaste category, with 26 percent of the estimated \$12.8 billion Yuan (\$2 billion) toothpaste market.

"It's a very good indicator of Chinese consumers and where beauty and grooming habits are going," Hurley said. "Chinese consumers see the value in spending money on premium toothpaste."

Local Partner

Henry Schein derived \$4.7 billion, or 63.5 percent of its 2010 revenue, from the [U.S. market \(HSIC\)](#), according to data compiled by Bloomberg. While the company has focused on developed markets it decided to set up in China last year after it found Hong Kong-based ABC Group to become a local partner, Bergman said.

[Cardinal Health Inc. \(CAH\)](#), which like Henry Schein is also a Fortune 500 company in health-care sales, bought the drug distribution business of Zuellig Pharma, Yong Yu, for \$470 million in November last year.

The makers of clear braces Invisalign, [Align Technology Inc. \(ALGN\)](#), sees China as an "important new market" and the company's "biggest opportunity" outside of [Europe](#), according to its 2010 [annual report](#). China has an increasing awareness of dental health and its impact on personal appearance, the [San Jose](#), California-based company said, with more than 50,000 general dentists and almost 500,000 orthodontic case starts a year.

Henry Schein is also looking to increase its workforce of about 65 employees in [China](#). "I would be surprised if the current number of employees doesn't double or triple in the next 18 months," Bergman said.

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