

What competition do you face on the European medical and laboratory devices market?

Europe is a huge medical devices market and is self-sufficient to a large degree. It hosts 26,000 medical technology companies, employing more than 650,000 people. Entry barriers are relatively high. The innovativeness of the medical devices market requires products to be up-to-date and applicable in innovative applications. Despite increasing concentration of the market there is a high degree of rivalry, making competitive pricing important.

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1. What are the opportunities and barriers when entering the European market?

Choose the right distributor

Distributors represent the main link between exporters from developing countries and customers in Europe. This is because they know the local market best, have access to buyers and speak the country's language.

Distributors can be specialised or general; both categories are interesting for you. Most importantly, their assortment should include products that are complementary to yours. Distributors prefer to offer complete product lines while minimising the number of manufacturers that they source from.

If exporters from developing countries can only offer one specific product or a limited range of products, they are advised to cooperate with other exporters to make their product offering complete.

A few distributors sell products to all European countries. More commonly, distributors have geographical specialisation, which can either include only one country or countries with a common language or geographical proximity.

Tips

First select your main target markets before choosing distributors that are specialised in your target markets.

Look for European manufacturers/distributors, with products in their assortment that complement yours, that might be suitable for you to cooperate with.

Choose one of the two market entry strategies with distributors: either manufacture your product under your own brand name and sell it via a distributor, or manufacture it as a contract manufacturer under a distributor's label. As a contract manufacturer, limit risks with a license agreement or mutual contract.

Consider putting your own brand in the market yourself without making use of a distributor. However, this is the most difficult market entry in Europe and only possible if you can rely on strong financial resources.

Spend some time and due diligence on the selection of your potential distributors instead of contracting with the first distributor that you come across.

Make the effort to travel to potential distributors and to meet them in person. Internet research is important, but it cannot make up for the good impression of personal contact.

Read more about potential market barriers in our study of Buyers Requirements for Medical Devices in Europe.

[MacMap](#) offers tariff information for your specific product and target country.

Increased focus on price

Many European countries are currently facing financial pressure on their health-care budgets. Consequently, several governments are striving to contain health costs and improve efficiency. For instance, governments are demanding hard evidence of medical products' value in order for them to be qualified for reimbursement.

Tips:

Do your pre-research and select a distributor who is a direct supplier to the final buyers. Sub-distributors will add additional margins and therefore increase end-user costs.

Consult your distributors on government reimbursement and other policies in their markets.

For more information, see our studies of [Finding Buyers](#) and [Doing Business](#) in the European medical devices market.

2. What are substitute products?

Innovation in the medical devices industry is key

Innovation continues to play an important role in the medical devices industry in Europe. In 2015, more than 12,400 patent applications for medical technology were filed with the European Patent Office (EPO), of which 41% from European countries. From a competition point of view, this means that products might be substituted with newer versions or technology. In other cases, existing patents may make it difficult to other producers to offer a new comparable product to the market.

Tips

Keep your products up to date and cost-effective.

Provide innovative products or products that can be used in innovative applications.

Keep up to date with technological developments in the medical devices industry. An important element of this strategy should be an annual visit to the [Medica](#) trade fair in Germany.

3. How much power do you have as a supplier when negotiating with buyers?

Cost-effectiveness is key

The European Union hosts 26,000 medical technology companies, employing more than 650,000 people. Of these companies, 95% are small- to medium-sized enterprises (SMEs), including numerous innovative start-up companies, usually specialised in one product. Local production satisfies more than 50% of the demand for medical devices in Europe. The European medical devices market will remain competitive, as it is crowded with producers.

While quality remains the foremost buyer requirement, pricing is and will continue to be a leading competitive factor. This situation is due to the growing financial pressure on health-care budgets in the past few years.

Issues that you should consider in the contract phase of your new relationship include minimum sales and service levels, return policy for your product and conditions of sale for your device. Price policy also depends on the type of your product. If your device is innovative and new to the European market, you can request higher margins. On the other hand, high-volume products can also be profitable even with lower margins.

Tips

Define your export product strategy, also based on the competitiveness benchmark for your specific product and market.

To conquer a position in the European medical devices market, you must create benefits compared to other suppliers; for example, quick response time to customers, low total cost of ownership, quick delivery and service times, or technically experienced sales team(s) adapted to the high European sales standards (this signifies the importance of having a distributor as a trade partner).

Cooperation to decrease competition

The power of buyers naturally depends to a considerable extent on the customer-supplier ratio. The buyer power for this market can generally be rated as high, which is caused by the high number of manufacturers on the European medical devices market. The smaller the manufacturer, the weaker its bargaining power is. As a result, many small European producers of medical devices seek cooperation with large multinationals to strengthen their negotiating position with respect to buyers. This technology-driven type of cooperation gives the large companies access to new technology, while providing the small companies with the financial resources to continue product development and succeed in bringing products to the market.

Cooperation can also be scale-driven, increasing the size of companies in order to strengthen their negotiating position. European producers sometimes also partner with small companies outside the European Union that offer niche services.

Tip

Consider entering into these types of cooperation, because you are an attractive partner due to relatively low labour costs. However, be aware that your multinational partners will likely try to dominate your operations.

Hospitals form regional purchasing clusters

More hospitals form regional purchasing clusters look to strengthen their negotiating position. For the cluster this means better pricing and conditions and a cost-effective logistical process, while for the manufacturer it means supplying a higher volume of products. As a result of this trend, purchasing departments of many hospitals have disappeared. In addition, distributors can act as an intermediary between the cluster and the manufacturer.

Tips

Perform market research: map the potential buyers, including such purchasing clusters, for your products in your target countries.

Look for European distributors that might be suitable for you to cooperate with and that can offer you access to such purchasing clusters. Use resources such as the medical industry portals [Qmed](#) and [MedicalProducts1.com](#).

See our study of [channels and segments on the European medical and laboratory devices market](#) for more information.

Variable per type of material

Supplier power varies for the type of material that they supply. As the medical devices industry makes use of a wide range of materials, producers usually deal with a considerable range of suppliers. With relatively standard materials, supplier power can be considered as low, as these materials are usually available from a wide range of sources. In addition, the switching costs for moving between suppliers are minimal. On the other hand, for unique materials, supplier power can be very high.

Tip

Continually monitor the business conditions of your suppliers to manage competitive market conditions and avoid potential supply disruptions.

4. Who are my rivals?

European imports of medical and laboratory devices increased by 7.0% on average per year between 2011-2015 to € 75.4 billion in 2015. Medical and laboratory devices were mostly imported from countries within Europe. However, the import from developing countries showed the largest growth in the past four years (12% per year on average). As a result, the share of imports from developing countries increased from 9% to 11%.

Germany is the largest importer of medical and laboratory devices, followed by the Netherlands. The import from developing countries was the highest in Germany (€2.3 billion), followed by Belgium (€1.2 billion) and France (€1.1 billion).

The supply of medical and laboratory devices to Europe is dominated by the USA, followed at some distance by Germany and the Netherlands. These three countries together represented 43% of the total European imports.

Of the top supplying countries shown in figure 3 below, the supply of China showed the highest annual growth (10%) between 2011-2015, followed by Belgium (8.9%) and the USA (7.8%).

The import of medical and laboratory devices from developing countries to Europe reached €8.1 billion in 2015. The supply from developing is dominated by China and Mexico, as shown by figure 4 below. Together, they accounted for 55% of the total supply from developing countries. Interesting to mention is the annual average growth rate of 40% in Costa Rican and Vietnamese supply. However, it must be noted that the supply of these countries remains relatively small in comparison with China.


Tips


Benchmark your competitiveness and landed costs with players from countries such as China and India, but also with players from western countries such as the USA and Germany.


Offer competitive prices if you want to enter the European market. In general, it can be said that the more common the product is, the more competition there will be and the lower the margin. If competitive pricing is difficult for you, you should differentiate towards specialities, because competition for specialities can be less severe.

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