Interview: Shine Liu Xiancheng – CEO, Lifotronic, China



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Shine Liu Xiancheng, CEO and founder of Lifotronic, discusses the rise of the medtech manufacturer over its ten years of existence, its commitment to R&D, and improving China's innovation capacity.

Shine, as the founder and CEO of Lifotronic, let us start from the beginning of the story. What made you decide to establish Lifotronic in 2008?

I joined Mindray in 1993 when it was still a relatively small start-up of 27 people. When I left in 2008, it had become a publicly-listed company with over 9,000 employees. At that time, Mindray's executive advancement and compensation packages were not as good as other leading Shenzhen companies like Huawei, which means that senior executives did not always have great advancement opportunities. Therefore, while many senior executives happily spent their whole careers with Huawei, many senior Mindray executives actually left to start new companies, like myself.

Perhaps more importantly, during my 15 years at Mindray, I actually had many business ideas that were rather difficult to develop or execute at Mindray. Mindray is focused on diagnostics medical equipment and instruments. It did not enter the area of healthcare management and medical treatment at all, unlike top medtech companies globally like Medtronic and Johnson & Johnson. In China, there were very few local medtech companies in the area of medical treatment and recovery. My dream was therefore to establish a new Chinese company developing effective medical treatments and recovery systems within the medical devices sector.

I am very proud of our achievements over the past few years. A particularly noteworthy one was the National Science and Technology Progress Award First Prize (□□□□□□) awarded in 2015, because we were the first – and still remain the only – medtech company in China to win this prize, precisely because we entered the field of medical treatment. This is testament to our contributions in the fields of medical treatment and recovery.

Today, we export to over 60 countries, mainly in Southeast Asia, as well as some countries in the Middle East and South America. Our products are not yet ready for the mature markets like the US or Western Europe, though we do sell some cosmetic products in France. We expect to target more mature markets in the next few years.

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As a company, Lifotronic started in wound management and treatment, but also entered the *in-vitro* diagnostics (IVD) segment in 2013. How are your activities divided between the two segments now?

Currently, the two segments are evenly split. Our strategy for IVD is to focus on professional and differential (□□□) diagnostics systems. The IVD market is huge and some niches are already highly saturated, so we need to be strategic about our market entry.

For instance, our first platform is a high-quality nephelometry analyzer (□□□□□), which allows for the analysis of many different proteins and compounds. A key achievement for us here is our development of the CRP (C-reactive Protein C-□□□) system, which is part of the diagnostic process to evaluate whether antibiotics are an appropriate treatment. This meets a particular need of the Chinese market, because China restricts the use of antibiotics, so healthcare practitioners need to test before they can prescribe antibiotics. What we have done is produce a fully automated CRP system. This has won international recognition, because in January 2016, we signed a strategic supplying cooperation agreement with leading Japanese diagnostic company, Sysmex, who will act as our exclusive distributor in China. What is even more impressive is that Sysmex is selling this CRP product under the Lifotronic brand itself, not under their own brand! This is a huge achievement and validates our hard work in this aspect. Furthermore, almost all the top-tier hospitals in CHina are now using this product. The market performance has been very good.

Other areas of focus within IVD is our lateral flow immunoassay diagnostic platform for Point-of-Care Testing (POCT), where we have also seen very positive market performance; our High Performance Liquid Chromatography Diagnostic platform, which meets new global standards for diabetes diagnosis; and lastly, our electro-chemiluminescence platform. We are in the process of

developing more products in these four categories.

In terms of wound care, we are moving from wound management to treatment and recovery. This is our long-term product development strategy. As I mentioned, this is an underdeveloped area in the Chinese medtech industry, so I see great opportunities here. As we were one of the first companies working in this area, we are now the leading brand in the market. As an indication, the Chinese FDA now includes our Light Wound Care Therapy System as a national standard, which we are very proud of.

We were very impressed to see that Lifotronic has invested between 10 to 15 percent of annual revenues into R&D over the past few years. This is very high, particularly for a local medtech player, and also a rather risky move for a young company. What is the rationale behind your R&D investment strategy?

When I was at Mindray, the strategy was to follow what was called the international “GPS” – where GPS here stands for General Electric, Philips, and Siemens – follow their products and imitate their strategy. On the contrary, when I established Lifotronic, while I wanted to learn from the best practices of international companies like Medtronic and J&J, I was also committed to innovating and creating new products as a company.

It boils down to the concept of ‘creating real value’. This is what motivates me. This is Lifotronic’s mission. Of course, ‘creating real value’ is a very difficult concept. I am sure you can discuss this endless in MBA classes. In practice, it is very difficult to realize. But that is our mission: to create real value in the areas of human healthcare and beauty.

As you said, this is of course a huge risk, because when you are investing in these new technologies and products, you have no idea whether they will succeed or fail until a few years later.

At the same time, I also like to emphasize that I am not a gambler. This is because I have spent a significant amount of time analyzing and investigating the market to understand this concept of ‘real value’. It requires a lot of time and energy. In our management and R&D teams, we always take the time to discuss and analyze what could offer real value for our clients and patients. We do not simply blindly follow other companies.

As an example, the idea for our automated CRP analyzer came about because our laboratory technicians kept complaining that it was extremely tedious and boring to test different samples and reagents manually. The whole process was extremely labor-intensive. This inspired us to

develop a fully automated system. The R&D process was not easy but we were driven by a true market need.

This is perhaps the reason why almost all of the products we have developed have performed well on the market. If we are able to accurately perceive and respond to market needs, we will have a better chance of being successful!

Many Chinese academics, businessmen and entrepreneurs have told us that today, China no longer lacks the capital or human resources for high-tech industries like the life sciences. But to move, as you said, from 'copying' to 'creating', is still a big step, and the missing ingredient is this 'innovation' capability. How do you train and inspire this quality in your team and your employees?

I completely agree, this is the major challenge for Chinese companies today. In fact, this question has preoccupied and puzzled me since the first day I established Lifotronic.

The most fundamental thing for my management team and myself is therefore to investigate market needs. Only when we truly understand the market can we develop genuinely innovative new products. Creation is based on the value we can bring to solve real market needs. Otherwise, 'innovation' is empty. My job as CEO is to know the market extremely well – and I want to do this because I do not see any future in simply copying other companies' products! That would be a very boring job. I left Mindray precisely to do something interesting and meaningful for society. This is what motivates me, and this is how I motivate my team as well.

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When Mindray was established in 1991, it was one of the first Chinese medtech companies, and even for Lifotronic in 2008, there were fewer players than now, where there are around 600 medtech companies in Shenzhen alone. Is it harder for new companies now?

Personally, I believe so. It was much easier to establish a new company in Shenzhen ten years ago. The top challenge for companies now is labor cost, because labor is now extremely expensive. Particularly when you talk about talented people, they are now very difficult to attract, partially because of increasing competition for them – many of our top graduates would prefer to work at Huawei and Tencent, for instance – and partially because of the cost of real estate here. Two, three decades ago, Shenzhen was very attractive for people from other provinces. The best and brightest in the country would move here. Today, however, graduates from top universities do not want to

come to Shenzhen because they cannot afford to live here.

As a company, Lifotronic has around 630 employees now, of which around 31 percent work in R&D. Talent attraction and acquisition is also a challenge for us.

Having worked in both the Chinese and American markets, what best practices can both learn from each other?

A key Chinese core competence is the ability to work hard. Chinese people tend to work very hard. For instance, we often check work emails and phones, and have work meetings, on the weekends, if necessary. On the contrary, the US, there tends to be much stronger work-life balance. Most people would not discuss work during the weekends. It took me a little bit of time to adjust to this when I went to the US as President of North America for Mindray. It is good to find a balance between the two.

Finally, it is Lifotronic's 10th year anniversary this year, and the company has clearly achieved a significant amount. Where would you like to see Lifotronic in five years?

As a people, the Chinese tend to be more realistic! Firstly, I hope to go public on the Shenzhen Stock Exchange with Lifotronic in the next five years. Secondly, I hope to increase our revenues from CNY 300 million now to around CNY 2 billion. Finally, my dream is to position Lifotronic will be a famous medtech company not only in wound management but also wound care and treatment, as well as professional and differential IVD!

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