

Created in China: Frankenman goes global with CHEX staplers



Lee Edwards

A relative newcomer to the sector, Chinese surgical stapler manufacturer Frankenman International is already making its presence known – not just in its domestic market but also internationally. Tina Tan speaks to Lee Edwards, Frankenman's president of international business, about the company's plans for further global expansion and what it's like going head-to-head with the big boys from the West

A growing wave of home-grown Chinese firms are emerging from the country's economic boom and making their mark as significant international players in their respective industries. One example in the medtech sector is Mindray Medical International. Having established itself as one of China's largest medical device manufacturers, the Shenzhen-based concern went on to buy the patient monitoring business of Datascope in May 2008, which provided it with the crucial infrastructure to expand into the US and Europe. Consequently, it is now rubbing shoulders with industry giants Philips and GE as one of the top three players in the global patient monitoring market.

Hoping to emulate the success of its fellow Chinese medtech company is surgical stapler manufacturer Frankenman International. The Hong Kong-based firm's target is to gain 10% of the \$1.8bn worldwide surgical stapler market over the next five years. A substantial task, when considering the competition which seven-year-old Frankenman is up against includes Johnson & Johnson-subsiary Ethicon and Covidien. These two US doyennes of the global surgical stapling field have controlled this market for almost 20 years and it is estimated that together, they currently hold 96% market share.

However, Frankenman's president of international business Lee Edwards is unfazed by the competition. "We are still an extremely small company, but we are very ambitious," he told *Clinica*.

While there are numerous low-cost surgical stapler suppliers in China, Frankenman's strategy from the start was to compete at the top end of the market, in the "growing and sophisticated 'western'-level hospital sector". Knowing very well that it was going head-to-head with heavyweight opposition, Frankenman developed its surgical stapler technology so that it offered the cost and, more importantly, clinical advantages to distinguish it from its rivals.

"You're not going to get anywhere by selling a product based on pricing alone. If you're competing with the big boys that have done a good job, it is critical that your product has a value-added proposition. So, we investigated and researched the core technology and found improvements that could be made to enhance the surgeon's use of the product," said Mr Edwards.

Multiple target markets

The CHEX range includes circular, linear and linear cutter staplers. These staplers are designed for tissue resection and joining tubular organs together. The biggest market currently for the devices is in colorectal surgery, although they can be used in "virtually every type of surgery". "Colorectal was initially our primary target market and it continues to be the largest sector for the CHEX range, but we're expanding now. Some of our business comes from thoracic market, where they

are used for lung resection, and we're seeing growth in bariatric, where they're using it for gastric bypass procedures. The use of our staplers can be very broad," said Mr Edwards.

Each CHEX stapler boasts special features particular to its applications. For example, Frankenman's staplers that are used for treating haemorrhoids from rectal prolapse, provide four more staples to enhance haemostasis, which is a critical factor in the surgical procedure. The company's staplers also have a feature called circumferential blade attachment, which means the blade comes down slightly more parallel and allows for greater stability and strength during tissue resection, explained Mr Edwards. "We've had reports from surgeons that haemostasis is better using our technology compared to the competition's," he said. "So there is a clinical advantage that we can give, on top of offering a less expensive product."

Since the CHEX range made its debut in China in 2004, the firm has scaled up the ranks to supplant Covidien as number two in the Chinese surgical stapler market in 2007. It is estimated that Covidien has 10% share of the Chinese market, Frankenman 20% and Ethicon 25%.

Distribution of the devices has also spread rapidly into other countries in Asia-Pacific, Europe and South America. The company now operates, through its distribution partners, in 30 countries and continues to expand. It expects to launch CHEX in Australia in September, Korea in October, and Japan in December. This growth is reflected in its sales figures, which has increased every year by "at least 50%, and faster in some markets". "The biggest driver of this growth is the good technical and clinical validation behind the technology. We have had the biggest success in the haemorrhoid sector because there are very apparent clinical advantages to our surgical staplers, and this has fed through to the rest of the portfolio and helped to validate the safety and efficacy of our other products," said Mr Edwards.

Frankenman's growth is expected to receive another major boost in the form of US sales, which are imminent following FDA clearance of the entire CHEX range in June. The company is currently assessing all options in terms of how they will go about tackling the world's largest medical device market. "Our success in Europe has not gone unnoticed and we have been approached by several large distributors with national coverage in the US, as well as companies seeking strategic alliances and more. Individuals with relevant commercial experience in this sector have also been in contact and are keen to work with us should we choose to go direct," said Mr Edwards, adding that the critical factor in its US commercialisation strategy was to keep close to the market. "End users, particularly in the US, must have the confidence in the company, its ethics,

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objectives and sustainability, as much as the clinical safety and efficacy of the product. To do that, you need to be close to the market and have close relationships."

Breaking down barriers

It is this emphasis on building a strong relationship with its customers that helped the company gain the confidence of surgeons and break down any misconceptions they might have about a product "made in China".

According to Mr Edwards, the firm decided right from the start that it would never hide the fact that its products were manufactured in China, and that it should be proud of that fact. "The argument that a product cannot be very good because it is Chinese is very easy to counter. Johnson & Johnson has a very large manufacturing facility about a mile from our factory in Suzhou, which is one of China's technology hubs, particularly in healthcare. Many other leading companies also have facilities there. So, it's very easy to prove that a lot of high quality products come out from China."

Openness – or specifically, the ability to be open to customers' demands – is also another key factor that helped the company build its reputation as a successful international player. "We are prepared to go that extra mile to prove our products and ourselves. Customers like to deal with us because we are flexible and can be quicker. The improvements that we have made to our technology came out of discussions with customers about what they felt was wrong with the product.

So our speed of reaction, our flexibility and our willingness to be judged by high standards is an important aspect of our success," Mr Edwards told *Clinica*.

Innovators

While the company's short-term focus is to step up commercialisation of its CHEX range across the world and the market, it is acutely aware of the need for continuous innovation to ensure long-term growth.

"R&D is a critical aspect of our business. Our R&D is focused on a number of areas. One is to improve core technologies to make it more cost- and clinically effective. Then, we want to introduce laparoscopic devices, surgical staplers that will work in single-port situations to make it truly minimally-invasive. Also, we are looking at other forms of tissue resection, for example ultrasonic resection."

Mr Edwards believes that being in China plays to Frankenman's advantage when it comes to being innovative, not least due to the significant amount of skilled

labour that is available in the country. "China is very good at sending its students abroad. I spent four years at Imperial College [in London, UK] and I saw the quality of students coming out in the higher mathematics and engineering fields. They're starting to come back now and they're keen to work with companies like ours and the investment sector is keen to support the returnees.

"The Chinese are very diligent and very precise. When they learn how to innovate, the whole West should be scared."



Inspection of presence and integrity of staples in staple housing at Frankenman's cleanroom facility

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