



EXECUTIVE INSIGHTS

China's Life Sciences Sector in Transition: How Suppliers Can Thrive in the Next Chapter

Key takeaways

1. China's life sciences sector is now globally recognized and remains a strategically vital market for multinational suppliers. Success now hinges on rethinking legacy assumptions and adapting to a more competitive and dynamic environment.
2. Customer needs and funding realities differ markedly across academia, hospitals, contract research organizations and the biopharma industry, requiring multinational life sciences companies (MNCs) to segment intelligently and tailor go-to-market (GTM) approaches accordingly.
3. Domestic competitors are gaining traction in commoditized segments, intensifying pressure on MNCs to rethink their target customer and product segments, pricing and value proposition.
4. To succeed, MNCs must take a segment-specific approach, enhance GTM effectiveness, harness digital platforms and consider investing in localization to navigate geopolitical uncertainties and evolving trade policies.

As one of the world's largest healthcare markets, and the one with the largest number of scientists, China plays a pivotal role in shaping global demand for life sciences tools and services. It combines significant domestic consumption with deepening innovation capacity and remains a strategic priority for multinational life sciences companies (MNCs) seeking long-term growth, operational resilience and global relevance.

For multinational suppliers of research tools, equipment and diagnostics, the country's vast academic, hospital and industrial infrastructure has represented both scale and strategic depth. But recent market dynamics have prompted many to reassess their positioning.

This Executive Insights explores how MNCs can recalibrate their strategies to respond to these shifting dynamics — distilling the challenges, highlighting growth pockets and outlining critical next steps for renewed competitiveness.

The imperative for MNCs is clear: To succeed in the next chapter, they must pivot from legacy assumptions and retool for a market that rewards agility, segmentation and deep local fluency.

Short-term disruptions, long-term opportunity: Understanding what's really driving the market shift

A series of short-term shocks have reshaped demand patterns. In 2022, a surge in equipment investment was triggered by the Chinese government's subsidized low-interest loan program. Universities and hospitals moved quickly to deploy capital, creating a one-off spike in procurement. By 2023, that momentum had faded, replaced by a market adjusting to lower baseline demand.

Meanwhile, a sustained funding slowdown in biotech has taken hold. Procurement behavior has followed suit, becoming more conservative and cost-sensitive, especially toward research investments.

The aftershocks of the COVID-19 era have also distorted market signals. During the pandemic, many bioproduction customers significantly overstocked in response to supply chain uncertainty.

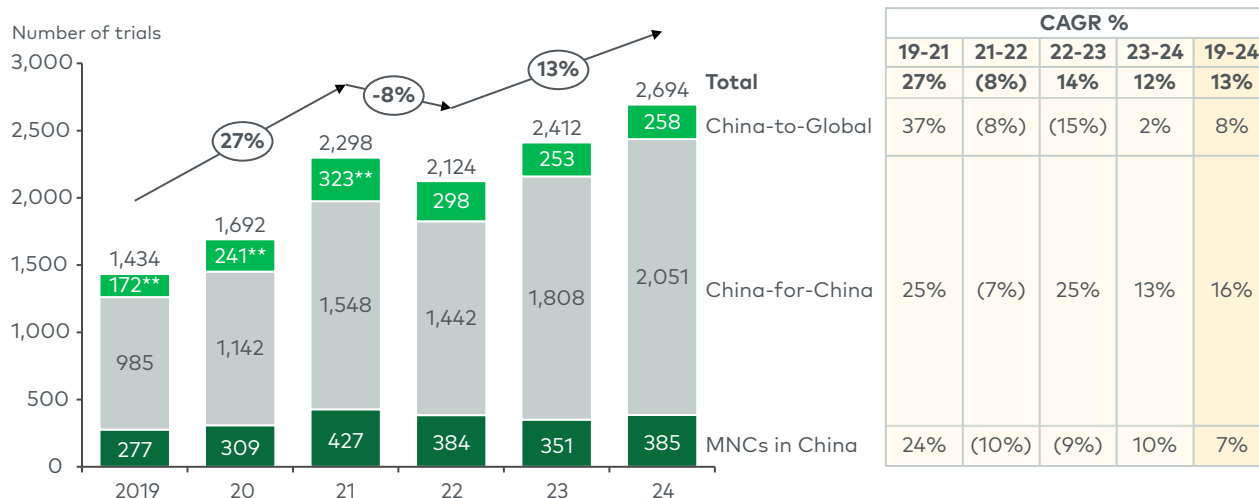
At the same time, local competition has intensified. This has contributed to downward pricing pressure across several categories, compressing margins for global players.

However, green shoots are emerging. China's biomedical research funding from the Natural Science Foundation of China (including the General Program, Regional Science Fund and Young Scientists Fund) has returned growth in 2024 after a dip during 2022-23.

Clinical activity has also remained resilient, supported by consistent engagement from both multinational and domestic sponsors (see Figure 1). The volume of new drug development in China is now nearing that of the U.S., making China's innovative biopharma research ecosystem a key end market for global life sciences tools and reagent suppliers.

Figure 1
New clinical trials, by sponsor type

**Newly started clinical trials by sponsor type
(2019-24)**



*Include prophylactic vaccine and therapeutic vaccine (~10% of total vaccine trials); **Assuming that 85% of overseas clinical trials with sponsors headquartered in China are relevant clinical trials for drugs based on detailed analysis of clinical trials in 2022-24, the remaining trials are mainly from sponsors in Taiwan, which were coded as MNC players in the original analysis

Note: MNCs=multinational companies; CAGR=compound annual growth rate

Source: DXY, Trialtrove, L.E.K. research and analysis









Meanwhile, the investigational drug pipeline is evolving in both scope and quality, with a growing share of candidates falling into the next generation/advanced therapies category.

Understanding the disparities beneath the headline figures

Headline growth figures often obscure the reality on the ground. In China's life sciences sector, performance varies significantly across the customer base — reinforcing the need for a segment-specific approach (see Figure 2).

Figure 2
Growth outlook and share of R&D spend differ across customer segments

R&D spending growth outlook by customer subtype

Customer type	Academia				Industry			
	Top universities	Lower - tier universities	Gov't & research institutes	Top hospitals	Chinese biopharmas	Chinese biotechs	MNCs	CROs
Example								
# institutions	100-150	~1,000	~150	300-500	350-500	500-750	300-500 (only <30 have web lab facilities in China)	100-200
% of relevant R&D spending	10%-15%	~5%	15%-20%	15%-20%	20%-25% Biopharma	10%-15% Biotech	<5%	10-15% (evenly split between Chinese and ex-Chinese businesses)
Growth outlook	↑				↑↑	➡	➡	↑➡
Rationale	Stably increasing government R&D funding anchoring GDP				Rapid growth brought by innovative transformation	Shrinking PE/VC funding and uncertain rebounding time	Limited direct R&D activities in China	Uncertainty exists around overseas business
➡ Stagnant (%0-3% CAGR) ↑ Mild growth (4%-7% CAGR) ↑↑ Strong growth (>8% CAGR)								

Note: MNCs=multinational companies; CROs=contract research organizations; GDP=gross domestic product; PE/VC=private equity/venture capital; CAGR=compound annual growth rate

Source: DXY, L.E.K. interviews and analysis

To succeed, MNCs must move beyond one-size-fits-all strategies and engage with the unique priorities of the three following groups:

1. Academia and research

In the academic and research sector, top-tier universities and national institutes continue to exhibit steady procurement behavior. Underpinned by sustained government funding, these institutions remain relatively insulated from macroeconomic volatility.

Their long-term investments in infrastructure and scientific capability position them as key customers of high-end, specialized tools — albeit with more structured and sometimes slower procurement cycles.

2. Biopharma and biotech

In industry, a divide is emerging between well-capitalized biopharma players and more fragile biotech firms.

The former are maintaining or expanding their R&D investment after undergoing significant innovative transformation. Many have passed beyond the “me too” stage and are now making waves globally, earning U.S. Food and Drug Administration breakthrough designations and partnerships with MNC pharmas and brand-name financial sponsors. The latter, constrained by a tough private equity/venture capital funding environment, are focusing on their lead assets at the expense of their early-stage pipelines.

Engagement strategies must account for these divergent trajectories.

3. Contract research organizations

Contract research organizations (CROs) are also in transition. While concerns about the U.S. BioSecure Act has curbed international client activity, domestic Chinese demand is beginning to recover. Chinese biopharmas are increasingly outsourcing R&D to CROs, driving a gradual rebound in revenue and shifting the axis of demand inward.

This segmentation underscores a broader truth: Success will hinge on identifying growth hotspots, understanding their structural drivers and aligning commercial models to reflect distinct customer priorities and constraints.

Signs of renewal amid competitive flux

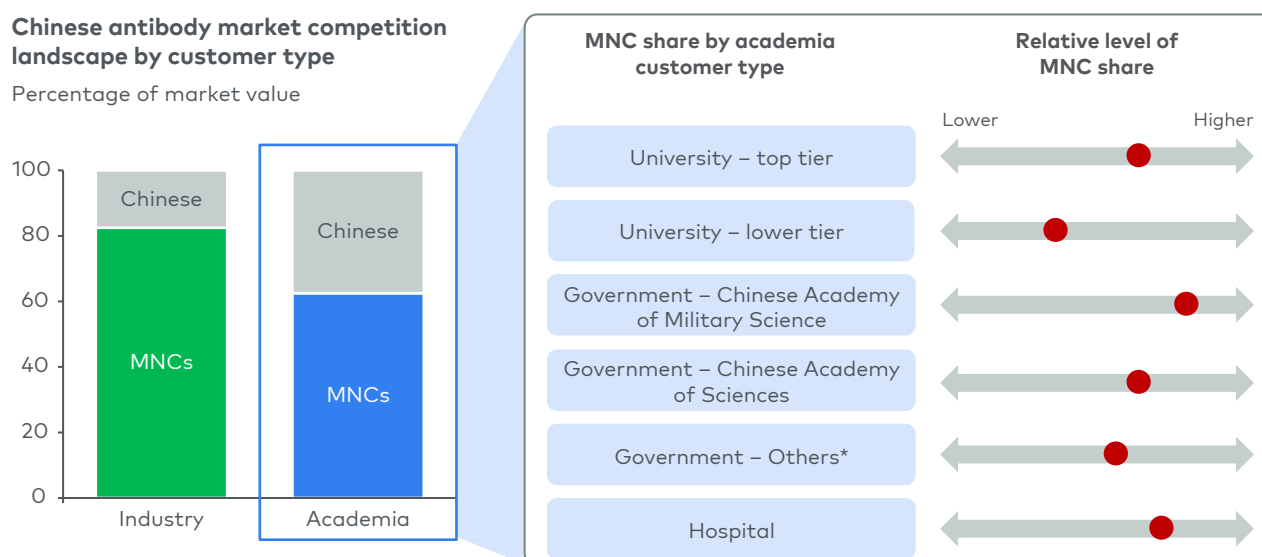
Chinese biopharmas are increasingly making global waves. Recent high-profile billion-dollar-plus deals between Chinese and MNC pharmas demonstrate the maturation of China-based biotech and the international validation of domestic innovation. These developments reaffirm China's position not only as a manufacturing base but also as a center of scientific development.

However, competitive dynamics are becoming more complex. In more commoditized segments, Chinese suppliers are rapidly closing the quality gap as they offer competitive pricing. While MNCs still lead high-specification applications, the margin for error is narrowing. Identifying the product and customer segments where MNCs have a strong right to win (through technology, brand and service) is critical.

Price competition is most pronounced in commoditized instruments and mature consumables. However, in categories such as flow cytometry and niche reagents, MNC products retain clear quality and performance advantages.

The competitive landscape also changes across customer segments. In select segments with strong funding, such as industry and academia, customers acknowledge the quality advantage of MNCs and are more willing to pay. In more price-sensitive segments, Chinese products are deemed acceptable (see Figure 3, for example). Variance of Chinese substitution is also observed across application areas for the same product categories.

Figure 3
MNC share in China's antibody market, by customer type



*Other government research includes the Chinese Academy of Medical Sciences, the Chinese Academy of Agricultural Sciences, the Chinese Center for Disease Control and Prevention, the National Medical Products Administration, national and regional courts, the police system, and others

Note: MNCs=multinational companies

Source: L.E.K. interviews and analysis

Implications for multinational strategy

MNCs can no longer anchor their strategy in assumptions of steady growth and technological innovation. Success requires sharper segmentation, a retooled portfolio strategy, localization and enhanced go-to-market (GTM) effectiveness.

Digital engagement is evolving. Platforms such as WeChat and ecommerce portals have become increasingly important channels for influencing and converting academic and younger professional customers. MNCs must invest in tailored digital strategies to remain visible and relevant to these user groups.

New customers are emerging. Innovative Chinese biopharmas with global ambitions are now a key customer segment for life sciences tools and reagent suppliers.

Sharper segmentation is essential. MNCs should prioritize customer groups based on growth outlook, competitive intensity and their own right to win. This enables focused investment in segments where differentiation is achievable while taking a more value-driven or selective approach in others.

Portfolio strategy must transform. High-value segments should be protected through innovation and quality assurance, while commoditized offerings may benefit from simplification, bundling or selective retreat.

Localization, both in manufacturing and product positioning, is gaining traction. Several MNCs have successfully introduced value-oriented product lines for the Chinese market, balancing price competitiveness with brand equity. These approaches must be carefully structured to protect core brand equity while competing effectively on price and access.

GTM effectiveness is a critical success factor. Both MNCs and Chinese companies have shown that active engagement and performance-linked training can transform third-party networks into scalable, high-impact extensions of the direct sales force. Digital platforms, from WeChat stores to ecommerce marketplaces, are reshaping engagement and sales conversion models.

Charting a new path forward

The next phase of growth in China's life sciences tool market will not reward inertia. For MNCs, this is a moment to reset — to challenge old assumptions, rethink customer engagement and sharpen competitive focus.

Some key questions to consider include:

- How should your company refine your customer segmentation to reflect the evolving market and customer dynamics? Are there specific segments where you see untapped potential? Which segments should you focus on, considering potential and your right to win?
- Who are your key competitors in China, and what are their winning factors?
- How can you differentiate your offerings in an increasingly competitive market where Chinese firms are gaining market share?
- How can you adapt your GTM approach to enhance competitiveness?
- To what extent should you localize in China, to enhance your competitiveness and navigate the increasing geopolitical uncertainties and evolving tariff policies?
- Given the geopolitical uncertainties and shifting trade policies, how should companies best understand the risk points and position themselves to maximize the opportunities for the widest possible outcomes?

How L.E.K. Consulting can help

L.E.K. helps companies navigate inflection points with precision. Our teams support clients across a wide range of challenges, from market segmentation to distributor transformation.

Contact us to discuss how we can help sharpen your strategy and capture the opportunities ahead.

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Helen Chen is Global Sector Co-Head for Healthcare and a Greater China Managing Partner at L.E.K. in Shanghai. Helen was a member of L.E.K.'s Global Leadership Team from 2012 to 2016 and is a Director of the Asia-Pacific Life Sciences Centre of Excellence. In 2019, she was named a Global Leader in Consulting by Consulting Magazine.

With over 30 years of experience across the U.S. and Asia, Helen advises companies on China and Asia expansion, and helps them to leverage regional innovation for global growth.



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Alex has worked with a broad range of financial and strategic clients from venture-backed to global multi-nationals in the areas of corporate strategy, product strategy and planning, and transaction support.

Alex focuses on major innovation areas in life sciences including:

- Life sciences tools and technologies (e.g., genomics, proteomics, cell analysis, multi-omics, AI-enabled technologies)
- Diagnostics and precision medicine (e.g., advanced diagnostics, precision oncology, molecular diagnostics, liquid biopsy, pathology)
- Advanced therapy bioprocessing and manufacturing (including mAbs, cell, gene and nucleic-acid therapies)

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