

Healthtech in South-East Asia: COVID-19 activates a technology investment opportunity

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The healthtech industry in South-East Asia is set for rapid growth. COVID-19 has accelerated the demand for healthtech services such as virtual consultations and e-pharmacy. The sector is expected to attract investors that see opportunities in the technology-driven transformation of health service delivery. However, this industry is currently a fragmented ecosystem of start-ups; this article discusses the key success factors that will enable healthtech start-ups to gain economies of scale and attract investment.

Technology can transform how users access health services and products

Healthtech refers to health products and services that are delivered using technology and are accessed remotely (for example, via a smartphone or internet-connected PC). Some of the key benefits of healthtech include making health care resources and services more **accessible, convenient and affordable**. Key products offered by healthtech companies include virtual consultations, e-pharmacy, online booking of medical appointments, health insurance subscriptions and medical portals.

Healthtech is in its infancy in South-East Asia but strong growth is expected

Healthtech is in its infancy in many countries in South-East Asia; take-up of services such as virtual consultations and e-pharmacy is low. However, the COVID-19 era has accelerated growth in the sector.

Governments in the region have started to rely on healthtech to reduce the burden of COVID-19 on healthcare systems and to ensure that COVID-19 patients can receive care. For example, the government in Indonesia selected 11 healthtech companies to provide free virtual consultations and medicine delivery for COVID-19 patients with mild symptoms.¹ Governments in some countries are offering healthtech services in response to COVID-19, which could pave the way to them offering healthtech services in their public healthcare systems, as is the case in Thailand.²

Government adoption of healthtech services is just one driver for healthtech. Several other drivers will contribute to growth in the sector in South-East Asia, including:

- **rising levels of disposable income**, which could increase the volume of medical consultations, the take-up of private health insurance and expenditure on pharmaceuticals

¹ For more information, see www.cnbcindonesia.com/tech/20210706130456-37-258677/11-link-telemedicine-buat-obat-gratis-pasien-covid-19-isoman.

² The largest public healthcare insurance scheme (Universal Coverage Scheme) in Thailand is offering virtual consultations. For more information, see https://eng.nhso.go.th/view/1/UCS_Presentations/EN-US.

- **increasing smartphone penetration and widespread mobile coverage**, which could drive the take-up of health services via online platforms
- **increasing awareness of healthtech services**, which will highlight the benefits of healthtech and encourage their adoption
- **an evolving ecosystem**, which could increase the availability of healthtech services as more companies launch healthtech services.

Healthtech companies should focus on customer acquisition

The competitive landscape of the healthtech market is still developing in South-East Asia and numerous regional and cross-border start-ups are emerging. By contrast, China's healthtech industry is relatively well developed and the market is dominated by three listed players (Alibaba Health, JD Health and Ping An Good Doctor).

We expect a 'survival-of-the-fittest' situation to play out in the next few years to determine which companies will gain a significant foothold in South-East Asia. Healthtech companies predominantly operate a B2C model; therefore, one of the key success factors to gain scale is the ability to attract and retain customers. Healthtech companies are doing this in several ways including:

- becoming a one-stop shop for all healthcare needs with the aim of increasing customer loyalty; for example, Alodokter in Indonesia offers a full suite of services³
- capitalising on the customer base of a subsidiary/partner/investor; for example, Good Doctor in Indonesia has expanded its pool of potential users by integrating its services in the Grab app⁴
- partnering with a government to offer COVID-19 services; for example, 11 healthtech companies are working with the government in Indonesia.

Another success factor for healthtech companies is to ensure a varied supply of registered healthcare professionals (doctors, nurses etc.) to provide virtual consultations and medical facilities (hospitals, clinics etc.) for in-person services and follow-up procedures such as tests. Increasing the supply of resources can help a healthtech provider to improve its competitiveness.

Finally, government policies and regulation will be important considerations for healthtech companies that want to expand into other countries because a favourable regulatory landscape is required to ensure that services such as e-pharmacy are legally permitted.

We expect investment activity to continue in the healthtech industry in South-East Asia as healthtech companies compete to gain market share.

Analysys Mason has conducted multiple due diligence exercises and market studies in the TMT space across Asia-Pacific. Our experience of working in the healthtech space gives us a strong understanding of the key challenges and success factors. For more information, please contact Lisa Scott (Manager) at lisa.scott@analysysmason.com or Lim Chuan Wei (Partner) at lim.chuan.wei@analysysmason.com.

³ Available at [Digital health platform Alodokter to improve public health services in Indonesia \(biospectrumasia.com\)](https://www.biospectrumasia.com/digital-health-platform-alodokter-improve-public-health-services-indonesia).

⁴ Good Doctor is a joint-venture between Grab (leading ride-hailing app) and Ping An Good Doctor (a leading telehealth firm in China).