

Evaluate the Performance of an Organization from 2018-2020 ——Take Aier Eye Hospital Group as an Example

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Abstract: Few companies have been able to perform very well for the healthcare services industry in 2018-2020, but Aier Eye Hospital Group (Aier) has been a standout performer in the sector. Analyzing Aier may explore why it has been able to maintain a good performance over a relatively simple period and what is worthwhile in comparison to other comparable companies.

Keywords: Aier; Eye service; Performance

1. Introduction

Through an in-depth analysis of Aier, its own development perspective and the overall macro environment. This research can explore the strategic development path that is in line with the future development of Aier and works effectively. In this research, we hope to analyze the financial and operational performance of Aier from the perspective of its own development and the overall macro environment, and to examine why Aier has been able to perform very well in 2018-2020 and has been able to secure its position in the industry during the epidemic.

2. Business analysis——PEST analysis

2.1 Political environment

The Implementation Plan for Comprehensive Prevention and Control of Nearsightedness in Children and Adolescents (Draft for Comments) was promulgated in 2018, requiring the coverage of annual eye care and vision examinations for children aged 0 to 6 years old will reach more than 90% from 2019. And in 2019, “Implementation Plan for Comprehensive Prevention and Control of Nearsightedness among Children and Youth” was promulgated. The bill proposed that the prevention of myopia must be a joint concern of the whole society, cooperation (Central People's Government of the People's Republic of China,2019), medical service industry ushers in new development opportunities. In the same year, China's ophthalmic services medical market size grew to 124 billion yuan, in the future (Beiketouyan,2019), led by market demand and government policy support, the medical services industry its market space is huge, laying a solid foundation for the market development of Aier.

Thanks to policy support, Aier's growth rate for 2018 and 2019 are above 25%, indicating that Aier continues to enjoy policy dividends in the country. In 2019-2020, the Company have 6,628,233 outpatient visits, an increase of 15.56% year-on-year; 608,378 surgical procedures, an increase of 7.76% (Aier 2019 Annual Report. 2019).

2.2 Economic environment

Frost and Sullivan said that China's total health expenditure reaches 6.28 trillion yuan (6.9% of GDP) in 2020. Looking ahead to the state of affairs in the next three to five years and beyond, the medical services industry is a high growth sector

(China Business Industry Research Institute,2020). Thanks to the economy, Aier has increased revenues in healthcare services, and both have increased customers during three years.

2.3 Social environment

Globally, the number of aging people has been on the rise, having roughly doubled in the last 20 years. In China, the prevalence of cataracts exceeds 70% in people over 60 years of age and 90% in people over 80 years of age. According to relevant statistics, China's elderly population aged 60 and above increased to 249 million in 2020. The rapid growth of an aging population therefore means that the patient population for cataract surgery is expanding (XueQiu, 2021). Cataract programs essentially account for nearly 20% of all domestic business at Aier from 2018-2020. Aier generates RMB 1.9 billion in 2020 alone in cataract surgery commonly suffered by the elderly, an increase of 11.41% from 2019 (Aier 2020 Annual Report).

2.4 Technological environment

China attaches great importance to the development of scientific research. Global investment in digital health is steadily climbing, and the FDA's Digital Health Innovation Action Plan, issued in 2017, provides systematic guidance for innovation in this area, especially software. In 2019, hosted by the Ministry of Science and Technology, Aier held a training course on cataract prevention and treatment techniques to allow scholars from various countries to exchange and learn (Aier, 2019). Through this activity, Aier had the opportunity to make a typical presentation at the concluding meeting of the 30th anniversary of the technical training program of the Ministry of Science and Technology for developing countries.

3. Business analysis——SWOT analysis

3.1 Strength

By 2018, Aier has established more than 200 professional eye hospital outlets in 30 provinces and cities in mainland China, and through a rich product line (Blue Whale Finance,2019). Aier has always focused on the development of scientific research, and in 2018-2020, Aier's digital system and independent research and development in scientific research have been significantly enhanced. The exploration of the application of artificial intelligence technology has been steadily promoted, and the related platform systems such as AHIS, AVIS, AEMR, etc. have reached the industry leading level.

3.2 Weakness

The layout of the overseas sales team of Aier needs to be further expanded. At present, the company has only two R&D centres overseas and no manufacturing base of its own, nor an independent sales team. Overseas sales are mainly conducted through agents, for example, Aier mainly commissions Sandoz, a well-known generic giant, to represent its sales (Huang, 2014). Alternatively, sales are also made through overseas authorization. Although the costs and expenses of overseas sales outlets and sales team building are eliminated. However, this approach is less profitable and does not have sufficient market control, making it more difficult to grow quickly.

3.3 Opportunities

Aier has acquired internationally renowned ophthalmic institutions, and introduced strategic investors such as High Tide Capital and Temasek to bring technical support and management experience to the domestic business. The acquisition means a larger market share worldwide, which gives Aier more potential customers.

On the other hand, the current aging population and the rise in the number of nearsighted people, as analyzed in the

PEST analysis of social factors, have increased the number of potential customers.

3.4 Threats

Aier is a private hospital. Public hospitals have the natural advantage of government support, and a long-standing awareness and path dependence of patients. And as competition intensifies, public hospitals will continue to improve their facilities and enhance their service quality to capture more market share. China’s myopia market size in 2019 is about 125 billion, with thousands of public hospitals accounting for roughly 70%. Public hospitals receive more government support than private hospitals, and a large percentage of people would consider public hospitals to be more formal and cheaper.

4. Financial Analysis

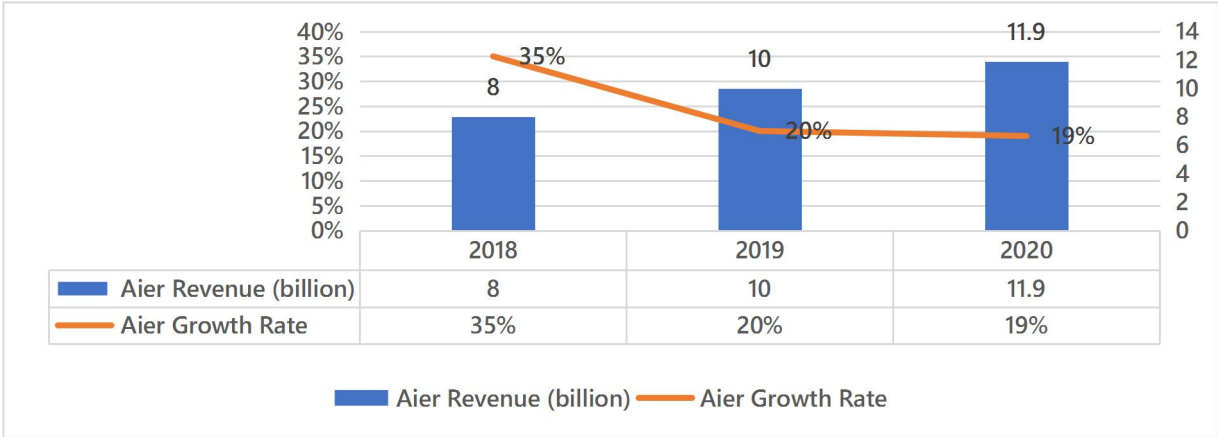


Figure 1 Revenue and Growth rate from 2018-2020 of Aier

Source: Aier Annual Report (2018-2020)

From figure1, Aier is one of the world's largest ophthalmic hospital groups, with an average revenue of about 10 billion yuan and profit growth rate of more than 30% from 2018 to 2020. Aier has a monopoly in China's medical service industry, it does not have strong competitors in a short period of time.

4.1 Liquidity

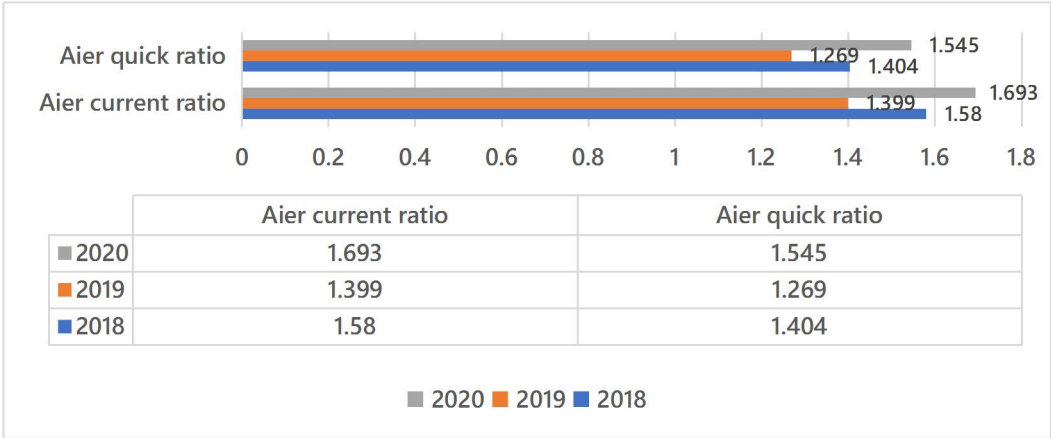


Figure 2 Liquidity ratios from 2018-2020 of Aier

Source: Aier Annual Report(2018-2020)

From figure 2, the current ratio and quick ratio of Aier from 2018 to 2020 fluctuate slightly and are all greater than 1, maintaining a relatively good state of solvency. From its annual report from 2018 to 2020, current asset and current liability showed almost equal percentage increase. And there was also no significant change in the rise in inventories.

4.1.1 Solvency

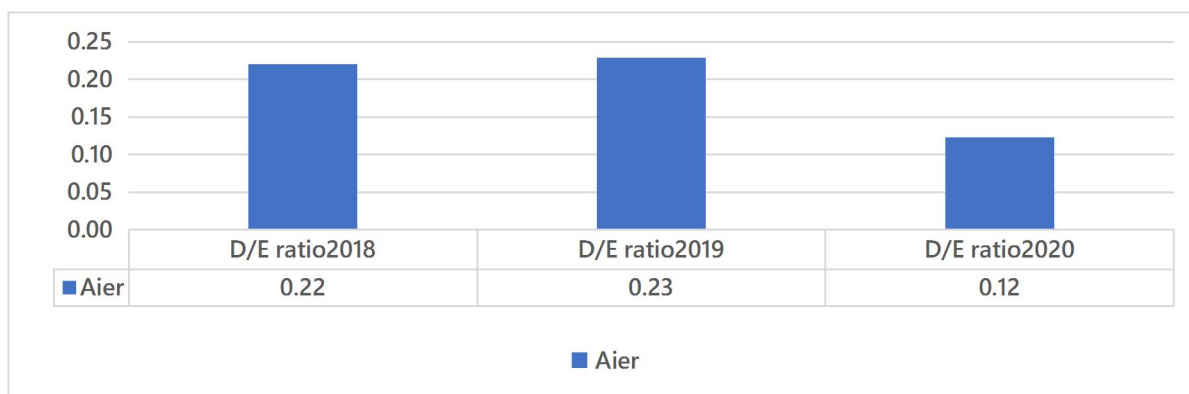


Figure 3 D/E ratios from 2018-2020 of Aier

Source: Aier Annual Report(2018-2020)

From figure 3, the D/E ratio shows that Aier kept stable in 2018 and 2019, but met a decline in 2020, due to the fact that Aier reduced a large portion of its short-term borrowings during the COVID-19 (Aier 2020 Annual Report.2020).

5. Conclusion

To sum up, the main factors for the success of Aier are the followings.

5.1 A strong team of doctors' system.

Aier's core competitiveness is its team of doctors, the hospital's current total team of more than 6,000 people, accounting for more than 12% of the total number of ophthalmologists in the country and has a certain influence in the industry. A large team of professional ophthalmologists is the core competitiveness of Aier and formed its very strong barriers.

5.1.1 The advanced business models

The company's first medical "hierarchical chain" system, the company's in vivo and in vitro ophthalmic medical institutions from the top down into the center of the provincial capital, local cities, counties four levels, for different resource levels of the market to set up different levels of medical institutions, to open up the market around. It provides technical support and training from top to bottom and enables the full use of medical resources and changes the status of the existing regional concentration of ophthalmic medical resources.

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