

International SOS opens Chengdu branch

Healthcare specialist joins growing trend to 'go west'

By DU JUAN in Chengdu
dujuan@chinadaily.com.cn

Medical and travel security risk company International SOS opened its new office on June 6 in Chengdu to further expand its business into China's western region.

"We want to use the new office in Chengdu as a hub for western China," said Arnaud Vaissie, co-founder and chief executive official of the company.

5

percent

of clients are Chinese

As a company helping organizations to look after the health and security of their international travelers and expatriates, International SOS has more than 20 years of experience in China with five international-standard medical clinics and two 24-hour assistance centers.

Vaissie said the company realized that China's business is moving to the west and Chengdu is the city most cited in most

"go west" plans.

"Based on market surveys, we realized this is the place with the highest level of interest to our clients, so we chose Chengdu," he said, noting local people are very open to foreigners and overseas businesses.

As the medical partner of the Fortune Global Forum, held in Chengdu from June 6 to 8, International SOS announced the official opening of its Chengdu branch on the eve of the grand business gathering.

It is "just right on time," Vaissie said.

"We started business in China about 17 years ago by offering services for foreign companies operating in the country," said Vaissie. "Now, more than half of what we do here is for Chinese companies that go overseas."

"As increasing number of Chinese companies are expanding their businesses in overseas markets such as Africa, the Middle East and other parts of the world, they require more medical and healthcare services."

Although currently Chinese clients account for only about 5 percent of total at Interna-

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tional SOS, the ratio is growing rapidly.

"It is expected that the number of our Chinese clients will more than double in the next five years," said Vaissie.

International SOS's annual revenue is about \$1.5 billion globally.

And at a time when Chinese companies are increasingly going overseas, the country will be a large growth region for the company, said John Williams, managing director of International SOS China.

He said the Ministry of Health has implemented a number of policies to improve the country's healthcare system



An SOS mission of carrying an injured traveler to an urgent aid center. The company has repatriated ill Chinese from overseas.

ZHOU GUOQIANG / CHINA DAILY

and there are many reforms in the pipeline.

"China is not alone in reforming healthcare," he said. "We see the same in the United States and Europe. It is a common discussion all over the world."

International SOS is the medical services partner for more than 100 Chinese companies and government agencies, looking after their Chinese expatriates and business travelers abroad. The company has partnered with

Chinese government agencies since 2006.

Over the years, International SOS has assisted Chinese government agencies with employee medical challenges, and facilitated treatment and evacuations from Ghana, Namibia,

Zimbabwe, Nigeria and Brunei.

Globally, the company has clients in more than 700 locations in 76 countries, providing services with more than 10,000 employees led by 1,200 physicians and 200 security specialists.

Q+A | STEFANO PESSINA

Pharmacy giant Boots looks to local partners

A boom is on the horizon for medicine and healthcare products in the southwestern Chinese province of Sichuan.

It is home to 91 top-rated hospitals including Chengdu's West China Hospital, the largest in the country in number of beds. Some 392 of the province's hospitals are classified as "grade B".

Each year, hospitals above the county level purchase about 25 billion yuan (\$4.1 billion) worth of pharmaceuticals.

As international firms see Chengdu as a gateway to western China, Stefano Pessina, executive chairman of Alliance Boots, shared his impressions of Chengdu, his plans in the city and his grand strategy in the country with *Zhuan Ti* during the 13th Fortune Global Forum held in the city from June 6 to 8. Based in the United Kingdom, Alliance Boots is an international pharmacy-led health and beauty group and the biggest player in pharmaceutical wholesaling and distribution globally.

Is it your first time in Chengdu? What is your impression?

First time in Chengdu. It's a very nice city. It looks very, very modern. It gives a feeling of being very dynamic, and overall, my impression is very positive.

I have enjoyed the food, which is very, very good.

In your opinion, why was Chengdu picked to host the



Stefano Pessina, executive chairman of Alliance Boots

Fortune Global Forum?

This is the fourth time the forum has come to China. I have been in China twice for the forum and this is the third time.

I believe that it was most logical for the forum to come to western China. And for that Chengdu is probably the most representative city.

There is a lot of investment by Western companies here in China.

Many, many of them have investments in Chengdu. I believe that this is a logical position. Sooner or later they have to come here.

What is your plan in Chengdu and western China?

It is clear that we have said many times that we want to be a national player in our industry in China.

And of course we cannot be a national player without being in western China, a fast growing part of the country.

For sure we intend to increase our presence here. We are present here and there, but not as massive as we are in Guangdong. So we would like to increase our presence here.

But as I said before, we need also a counterpart willing to deal with us and we are open

to do any kind of collaboration with local companies. We are absolutely open.

How many years has your company been in China?

First of all, we have been in China for six years now. But we have really started our discussions in China more than 10 years ago and our people come here regularly. I come here regularly.

We have a 50-50 joint venture with Guangzhou Pharmaceuticals. This has been a very interesting and fruitful cooperation because I believe they have learned from us and we have learned from them the logic of the market.

We have a subsidiary here in Chengdu. Now we have another agreement with Nanjing Pharmaceutical for distribution.

This is an agreement that has been concluded and been approved by their shareholders. It has been approved by the local authorities. We are waiting for the final approval. It takes some time.

So we are very happy about our investment in China. We have a lot of conversations today in China. We hope to continue to invest.

For sure, we will continue to invest, but we hope we will be able to do other deals, particularly for our pharmaceutical distribution as a wholesaler.

Of course we are looking also at pharmacies. We want to own, together with a partner,

a pharmacy chain in China. We are analyzing the opportunities in order to take the decision.

When are we expecting a Boots pharmaceutical chain here in China?

I believe that you don't have to expect an announcement in the next weeks or months, but in a reasonable time I believe we will make up our mind where to go and what to do.

We have contacts with many, many companies, and again, we have to decide what to do. It will depend also on our counterpart because you must have two parties willing the same thing. We are open.

The next big step will be in China.

Is it your ultimate goal to grow Alliance Boots into a leader in the global industry?

We have always been very clear that this is our aim. We want to be the world's first multinational and then global player in our industry in

the world, at least as a pharmaceutical distributor.

Retailing is much more complicated. The retail business is not consolidated across the world. It's just starting and it will take many, many years.

But, as a distributor, we have never concealed that we want to become a global distributor. And, in reality, not all of our competitors believe that this is the right strategy.

But I remember when we became the first company in Europe to have multinational presence by expanding to other countries — our European competitors were skeptical.

But at the end they had to follow us because we have been always at the forefront of the changes in our industry. And after a while our competitors followed us.

So I would expect now, we have almost achieved our goal

because don't forget that the European and the US markets account for 60 percent of the worldwide market of medicines. We are the No 1 in Europe and in the US among wholesalers.

I see in the future we will have two or three global players. Of course we have the advantage of being the first mover and we have the advantage of our size. All together we account today for more or less something between 15 and 20 percent of the worldwide market.

I am not seeing our European colleagues as competitors because now they are too small.

I will see two or three potential American players and they could really grow and compete with us. In 10 or 15 years of time it's possible that we will also have a big Asian player as a competitor, but this will take time.

So in your strategy, if you decide to invest in Chengdu, the approach you take is through partnership. Is that true?

This is what we preferred. We would like to have local partners no matter where we go and this is how we develop our company.

In principle we like to grow with local partners and with local management.

You may contact the writer at zhuanti@chinadaily.com.cn

Qing Yujiao contributed to the story

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The host city of the Fortune Global Forum is attracting increasing levels of overseas investment as multinationals recognize its weight in China's western development.

