Interview: Chen Qiyu – Chairman, Fosun Pharma, China



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*Chen Qiyu, chairman of Fosun Pharma, discusses how the company is helping China achieve its '*Healthy China 2020*' goals as well as its unique business model and company culture.*

Fosun Pharma is an integrated pharmaceutical company with interests all along the value chain, from API to finished products, distribution, medical devices, and retail. How strategically important is maintaining such a broad focus? What is the most important contribution Fosun Pharma makes to helping China achieve its "Healthy China 2020" goals?

Firstly, Fosun Pharma is a comprehensive company. In the past 20 years, every sector in this industry has grown very fast. Thanks to our whole-scale layout, Fosun Pharma can take advantage of different opportunities and optimize our resource allocation. Secondly, in my point of view, different sectors develop in different stages. For instance, distribution sprung up in 2007, manufacturing has risen more recently, and hospital services might see a growth explosion 5 years later. Fosun Pharma has experience through different businesses, which gave us a sharper view on the policy changes in China. Thirdly, our businesses benefit from complementarities between them. For example, distribution will promote manufacturing.

About the "Healthy China 2020", Fosun Pharma plays an important role in new drug discovery and is now one of the 11 innovative service associations which was part of the 12th 5 year plan, and we received strong support from Chinese government in this regard. Our long-term goal is to provide

Chinese people with new drugs developed by Chinese companies. Besides this, we are improving our ability to produce some high quality generic drugs, especially in biotechnology treatments which target tumours or heart disease. We will also promote the distribution sector, and have set about building a distribution and retailing system to help the Chinese government with realizing its promise to Chinese people, which is to improve the accessibility of drugs in urban and rural areas, including online drug delivery and other new business models. Last but not least is the hospital service. Public hospitals are the main body of Chinese medical service. With a goal of improving the quality and efficiency of services, we want to participate in this sector and have more good doctors in our private hospitals, and in the meantime also promote the inside regulation of public hospitals. Besides, we can play a complementary role in helping public companies with providing high-end services with particular group, which may be inappropriate for public hospitals.

A key objective of the 12th Five Year Plan is to consolidate China's fragmented pharmaceutical distribution supply chain. Given Fosun Pharma's large (32%) stake in Sinopharm, how do you envision the evolution of China's pharmaceutical distribution sector, and how are you positioned to take advantage of it?

A mature distribution market should be a highly dense and efficient network. In the last 10 years, led by Sinopharm, Chinese distribution has been on track to evolve from a low efficiency, fragmented and high cost situation. The key issue in the healthcare reform in China is to improve the efficiency and service ability of distribution. I hope in the future, China will be as mature as the developed markets like Europe, US or Japan. I believe by 2020, we will have a creative business model with Chinese characteristics and real leading company in distribution sector of China.

How would you define Fosun Pharma's creative business model, and what about it makes it unique in the industry?

Fosun Pharma's creative business model is to build a platform to gather competitive industry resources in China or even the whole world. Fosun Pharma's business covers R&D, manufacturing, distribution and service. It will not benefit one particular company or one team, but to strengthen different teams and help them to realize their dream through the open platform. Our creativity is not only present in the innovation sector, but also in cooperating with state-owned and private companies, foreign scientists and also MNCs from Europe and the US. We put the most competitive and lucrative projects onto this platform, one that both creates and shares value.

Fosun Pharma is famous for its entrepreneurial spirit, and the slogan of "Cultivation, Teamwork, Performance and Contribution to the Society". How will you maintain this

culture as the company continues to grow?

It is hard to explain this to foreigners because it is one of the core cultural values. In ancient times, scholars who have strong ambition abided by these values. For Fosun Pharma, I think we should put our eyes on stability, self-discipline and environmental protection. We should make a difference and contribute to the whole society. The result of our contribution should be measured by some statistics, but we should always bear in mind that we should be grateful to the society however big our contribution is and however the business scale is.

From the annual report, we can read that "Fosun Pharma will continue to strengthen building up its core competitiveness in research and development, marketing, manufacturing and other areas, accelerate the merger and acquisition as well as integration of premium domestic and overseas enterprises engaging in pharmaceutical manufacturing and research and development, continue to explore the opportunities to enter into the healthcare services, further consolidate and enhance its leading position as a pharmaceuticals and healthcare company in China and eventually develop into a globally competitive pharmaceuticals and healthcare company." Is Fosun Pharma ready for such internationalization? How globally competitive is the company now, and what are the biggest focus areas to develop this competitiveness? Which kind of international partnerships is Fosun Pharma most interested in pursuing?

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My opinion is that we are always on the way of internationalization. Our daily job includes branding our products in international community, which is a process with some certain results but it can be also seen as a kind of preparation. In the future, Fosun Pharma will pay more attention to internationalization. I have three points to make here. First, our leading group needs to be open-minded and use an international strategic thinking model. For instance, we need to have international vision when making decisions on R&D and M&A.

Second is about the process of resource allocation. We should search for the most competitive and advantageous potential market. Now, we are focused on Chinese market and the generic drug market in the US. But there is also R&D and innovation. We should find our best partners and the best projects to invest worldwide and not limit ourselves to China. We should do comparison and assessments against the entire world. In the future, one of the most key standards of assessing competitiveness will be the source of innovative products. Only when grasping the advantage of replacing rate, manufacturing cost and quality, can one company be competitive in this market.

Speaking of Fosun Pharma’s international cooperation, including choosing partners and business models and finding the best projects, I think the most vital concern is to realize the most efficient resource allocation on the basis of our strategy.

Third is to build up a great team, which will ensure the security of our internationalization process.

You mentioned a long-term goal of seeing Chinese people provided with new drugs developed by Chinese companies. When can we expect the first Chinese blockbuster? Will it come from Fosun Pharma?

Fosun Pharma has already invested in some projects, and we are also looking for some new R&D results from preclinical trials from China and other countries. I believe the amount of blockbuster drugs is an important standard of assessing innovation ability, and we can expect great products to come from medicines to treat tumours or heart disease.

What is your final message to our readers?

I hope your readers can pay as much attention to the Chinese pharmaceutical market as to the Olympic Games!

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