



## Co-operation

The Co-operative Group is the world's largest consumer co-operative, running food stores, banks, an insurance business, funeral homes, travel agents, pharmacies and farms.

Since it began in 1863, the Group has been more than just a business. Its society of members works together towards common goals, sharing ownership and making decisions democratically. Here's their story of how working together with like-minded partners in China has worked to the mutual benefit of these Chinese manufacturers, the Co-operative's UK network of pharmacies and their customers.

The Co-operative is the third largest community pharmacy network in the UK, dedicated to providing the highest standard of healthcare to local communities. With nearly 800 pharmacies throughout the UK, it dispenses more than 50 million prescriptions a year, but also offers valuable health testing and advice to local communities, including testing blood pressure, asthma advice, services to help people stop smoking, and advice on diabetes.

"We make it a priority to provide the best possible services for our members and to invest in the communities where they live," says Nik Sanghara, International Trade Manager of Sants, The Co-operative Group's pharmaceutical wholesale subsidiary. "We treat each other as we would like to be treated ourselves, supporting one another as well as other co-operatives and local pharmacies. That's really the secret to our success."

### Cost cutting

Like most businesses, The Co-operative Group always strives to cut costs in the drive to increase its profit margin. But, in keeping with its community background, The Co-operative Group is also committed to supporting UK pharmacies and help keep them profitable. When the Government's pharmacy contract came into force in 2005, pharmacies became obliged to adhere to set limits when pricing drugs, which had a knock-on effect of reducing profits. This spurred the Group on to identify further cost-effective ways of sourcing medicines, so that it could pass these savings on.

One strategy The Co-operative Group has adopted is to set up partnerships with UK suppliers of generic, non branded drugs manufactured in India, where costs are lower than in the UK.

## The co-operative

### Fast facts

Company:	The Co-operative Group
Industry:	Healthcare & Medical
Number of employees:	85,000 (Group total)
Key overseas markets:	Far East
Turnover:	£10 billion (Group total)
Website:	<a href="http://www.co-operative.coop">www.co-operative.coop</a>

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In 2006, the Group set up a joint venture company called Opus Pharmaceuticals Ltd., together with UK pharmacy chain Day Lewis. Opus sources own label generic drugs from a number of pharmaceutical manufacturers and suppliers, marketing them under the brand name 'Prospect'.

The packaging, branding and design of the product packs has been thoroughly developed and researched, with patient safety issues and pharmacy benefits the major consideration. Customers benefit from the reassurance of having repeat prescriptions dispensed each time with the same high quality, easily recognisable packs, which is expected to increase customer loyalty and enhance customer service. But, primarily, the joint venture will help to ensure a constant and reliable supply of drugs in a market that can be volatile.

"The generic drug market can be volatile because it is reliant on price and availability of active and inactive ingredients used to manufacture the drugs," says Sanghara. "Where the source of drugs is not secure, demand and prices can drop to the point where it is no longer feasible for manufacturers to produce them. As the volume of players producing the drugs drops, there's a real risk that supply will dwindle very quickly, established drugs will simply fall off the market and patients will have to go without the medicines they need. By joining together with suppliers, we have a win-win situation. We secure a reliable supply of generic drugs at a reasonable cost, and our suppliers have a guaranteed market for their product which keeps them in business."

The Co-operative Group has great plans for Opus. The joint venture company will soon be supplying pharmacies with a range of some 113 commonly prescribed generic drugs, and expects to dispense about 22.5 million packs of 'Prospect' medicines each year.

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## Exploring opportunities

At the same time, The Group has been pursuing another opportunity to source drugs more cheaply. In 2006, leading Chinese pharmaceutical manufacturer, the Tasly Group, invited The Co-operative Group to work together with it in China.

Tasly was looking for an international partner to invest in its business, supplying both generic drugs and traditional herbal medicines in China's domestic market. Key benefits for Tasly were an international element to its business, and access to the UK market.

"It's really crucial to us that any company we do business with shares our social values, wherever it is based" says Sanghara. "In line with our own philosophy, Tasly is highly regarded in China as a major source of charitable support for its local community. This was a great indicator of the type of company we were partnering with, so we decided to investigate the opportunity further."

## Site visit

In September 2006, Lindsey Fairbrother, Wholesale Director of Sants, flew out to China with Healthcare Director John Nuttall to explore the proposal in greater depth. They visited Tasly's facilities and came back to the UK with a glowing report. They had found that Tasly's two existing pharmaceutical factories in Tianjin and Huaian both offer a high standard of production facilities, matching those in the West.

So, The Co-operative Group decided to pursue a joint venture with the Tasly Group. Realising that it needed more information about the Chinese business culture if it was going to succeed, the Group recruited a Chinese business consultant, Robin Nunley of Business Development International, to advise on the best way to move forward.

He was recruited following an introduction by Intatrade West Midlands.

"We have found that culturally, personal relationships are more important in China than any formal negotiations or agreements you might come up with," says Sanghara. "So, we made a point of visiting China several times to conduct our negotiations face-to-face. On one visit in March 2007, we introduced ourselves to the relevant authorities in Tianjin, and built up a dialogue with them which helped to smooth our path somewhat. By the end of March, we had signed a Memorandum of Understanding, and the joint venture agreement itself was finalised and signed on 29 July 2007. UK Trade & Investment helped secure a high level of media coverage of the signing, which was attended by the Deputy Mayor of Tianjin."

## Learning points:

Take control of every aspect of your business

Invest in personal relationships with potential partners

Find compatible partners that share your philosophy



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## New facility

The joint venture company, Tianjin Tasly Sants Pharmaceutical Company Limited, is now building a £20 million state-of-the-art production facility in the city of Tianjin, meeting UK standards of Good Manufacturing Practice (GMP) and environmental compliance. The facility will employ up to 200 people and is expected to begin production of a range of well-established generic prescription drugs by early 2010. These will be supplied to Sants in the UK and then on to Co-operative Pharmacy branches across the UK.

"The agreement with Tasly establish The Co-operative Pharmacy as a clear leader in the UK's healthcare sector," says Sanghara. "These are milestones in our development which have clear benefits for our business, giving us absolute control over our source of supply and helping to protect our commercial return in the face of calls to cut the wholesale cost of prescription drugs."



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