

## GLOBAL

# China: Where East Meets West

By Robert Coopman

Ask most anyone in the pharmaceutical industry in the United States for a definition of CACDS and you will hear, "The Canadian Association of Chain Drug Stores." What's more, the answer will be spoken with assurance that it is the correct definition of the acronym.

Ask the very same question of a similar gathering of people in Beijing and the answer will be, "The China Association of Chain Drug Stores," spoken with the same assurance of correctness.

Under the careful tutelage and mentorship of Terry Arth, vice president of meetings and international programs at the National Association of Chain Drug Stores in the United States, the China Association of Chain Drug Stores took form within the previously existing China Association of Pharmaceutical Commerce. Should there be any question about

## At a recent CACDS forum in Beijing it was clear that drug stores are 'hot'

whether chain drug store development in China is a hot topic, attendance at the recently completed 2005 International Forum on Development of the China Pharmacy Industry last month in Beijing should put the question to rest.

Invited presenters from Japan, Germany, the U.S. and various parts of China shared with the audience current key elements of pharmacy and drug store development within their respective countries. Along with Jim Huber, NACDS' executive vice president and chief financial officer, and Arth, I was privileged to present current topics of interest in pharmacy and drug store retailing in the U.S.

On the second day of the forum, following the presentations, par-

ticipants were invited to attend a health fair in Zhongshan Park, immediately adjacent to the Forbidden City and once reserved for the emperor, his family and chosen guests. The Golden Elephant Pharmacy, a rapidly growing chain of franchised drug stores primarily in the city of Beijing and the immediately surrounding area, organized the health fair, presented much as such an event would be in the U.S. Highlights of the health fair included blood pressure and blood glucose screenings, educational presentations on good health habits, and product presentations and sampling.

Following the health fair store tours of a Golden Elephant Pharmacy outlet and a Beijing International Pharmacy store took



Golden Elephant is a rapidly growing chain of franchised drug stores

place. For those who chose to participate in the tour it was without question a high point of the entire event.

The stores presented a visual example of Western, evidence-based medicine in the form of drugs as we know them in the same setting with traditional Chinese medicine in the form of drawers upon drawers of herbals, botanicals, nuts, seeds and bone pieces.

In controlled-access environments, pharmacists trained in Western ways and pharmacists trained in Eastern traditional medicine compounded and dispensed prescriptions written by practitioners in their respective disciplines.

Both of the pharmacies, Golden Elephant and Beijing International, represent Chinese drug stores in their most advanced form, and both are considered large by Chinese standards. The Beijing International Pharmacy store is approximately 10,000 square feet, employs some 80 staff members and produces some \$5 million in annual sales in U.S. dollar terms. It stocks some 7,000 items.

The store is also on the leading edge in offering front-end products for sale in an openly merchandised self-service area, much as in the U.S. and other developed countries. With staff members positioned in every self-service aisle, it is clear that security is a significant operational concern for management.

Both drug stores presented high-end cosmeceutical kiosks much in the tradition of upscale European drug stores. The kiosk by La Roche Posay in the Golden Elephant Pharmacy store would eclipse anything seen in U.S. drug stores in terms of a cosmeceutical presentation and rival most in upscale department stores.

A major contrast between Golden Elephant and Beijing International is in their organizational structures. The former is primarily a chain of franchised stores, while the latter is corporately owned and developed by one of China's leading pharmaceutical wholesalers.

In fact, Dave Liu, vice president of marketing and strategy at Beijing Pharmaceutical Co., owner and developer of the Beijing International chain, is a pharmacist educated at St. John's University College of Pharmacy in New York and is a former employee of CVS Corp. He returned to his native China about 18 months ago to join Beijing International.

Similar to Dave Liu, Zhang Yaohong, vice general manager for Golden Elephant Pharmacy, is a licensed pharmacist educated at the University of Houston College of Pharmacy in Houston.

Among the many striking elements of both of these rapidly growing pharmacy chains is their commitment to the continued relevance of traditional Chinese medicine, while recognizing the value of self-service merchandising and modern Western pharmaceuticals.

The China Association of Chain Drug Stores, with the primary support of the Golden Elephant Pharmacy chain, can be justifiably proud of the forum and its ability to communicate drug store developments from around the world to attendees. Congratulations also to Arth and NACDS for having the foresight and determination to have nurtured and developed the Asian version of CACDS.

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## Unlocking Potential Won't Be Easy

NEW YORK—China's booming economy is proving to be a lure for many foreign retailers and consumer goods manufacturers. But a number of recent studies have sounded a cautionary note, emphasizing that enormous regional variations and vast income gaps constitute hurdles to understanding China's huge consumer base, 1.3 billion strong.

China's economic growth is unquestionably impressive. According to a recent report from Ernst & Young, "The Path to Success for Retailers and Consumer Brands in China," the Chinese economy expanded by 9.5% in 2004 and will likely grow by over 8% this year.

Retailing plays a huge role in generating China's gross domestic product, accounting for about 48%, according to the country's National Bureau of Statistics (NBS). This year retail sales are

expected to rise about 13% to 5.2 trillion yuan (\$628 billion).

The retail marketplace is highly fragmented on various levels, regional differences representing only one. The top six retailers, for instance, account for only 20% of national consumption.

Currently Shanghai, with a population of 16.3 million, and Beijing, with 14.3 million residents, are the leading consumer markets. But there are several provinces and provincial centers as yet little known to Westerners that are growing rapidly and may offer the biggest future opportunities.

For example, Henan, with 103 million residents, has the largest population of any province and is still relatively undeveloped by major retailers. Hubei, another interior province, is well positioned for major economic growth.

As foreign marketers penetrate

China's interior they will encounter a bewildering array of cultural and ethnic variations. "China is one country, but with 32 markets, each with its own tastes and shopping habits," says a spokeswoman for IGD, a global retailing think tank and research organization based in the United Kingdom. "We believe that the greatest challenge facing anyone in China is understanding the diverse, fragmented and constantly evolving needs of the consumer."

A study released by IGD earlier this year shows that in addition to regional variations, generational differences greatly influence shopping behavior. In general Chinese over age 35 tend to be more conservative and loyal to local brands, while young consumers, who are more familiar with foreign lifestyles, are more open to trying foreign products.



Pharmacists, trained in both Eastern traditional medicine . . .



. . . and Western ways, work side by side preparing prescriptions