Apollo Hospitals – Internationalization Strategy
AGENDA

• Apollo - Background (evolution since inception)

• Analysis of Apollo’s internationalization strategy
Apollo Hospitals, started as the first corporate hospital of India, has grown remarkably

1. First super-specialty Hospital in India – Early 1980s
   - 1983 – Dr. Prathap Reddy established the first ever corporate hospital of India
     - Faced skepticism in his campaign that super-specialty hospital was viable in India
     - Was able to attract doctors from the west
   - Made an IPO and raised $4.6 million in 1983

2. Liberalization and Growth – Late 1980s; early 1990s
   - 1986 – At the personal urging of Dr. Prathap Reddy, the then Prime Minister of India, Rajiv Gandhi, liberalized the Hospital Sector
   - Apollo's business began to grow in the 1990s, with the deregulation of the Indian economy, which drastically cut the bureaucratic barriers to expansion and made it easier to import modern medical equipment

3. Wide Scale Marketing Efforts
   - Apart from individual patient and doctor referrals, which served as primary marketing tools in the 1980s, Apollo exercised various print, audio and video marketing tools
   - The successful coronary bypass operation of the Vice President of India in 1993 gave a major boost to the Apollo brand and visibility

4. Focus on middle and lower strata of Society
   - Till early 1990s, the services of Apollo were restricted to the elite strata of society
   - Apollo faced criticism that its services were not for the masses
   - Apollo reacted by expanding its services to the poor class
   - Has set aside free beds for the poor
   - Has set up a trust fund
   - Is pioneering remote, satellite-linked telemedicine across India

5. Global expansion and local penetration
   - Apollo has already expanded to more than 45 Hospitals and more than 250 Apollo Clinics in India and abroad
   - Has centers of excellence in Sri Lanka, Bangladesh, Ghana, Nepal, Nigeria, Dubai, Qatar, Kuwait, etc.
   - Further initiatives include South Africa, Tanzania, Mauritius, Yemen, Oman, Bahrain, Vietnam and Thailand, among others
..and has become the single largest private hospital group in Asia

Apollo attracts more than 10 million patients in India itself, from over 55 countries

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<th>1983</th>
<th>India</th>
<th>Chennai</th>
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Leadership, Quality and Network
- The Apollo Hospitals Group is recognized as the "Architect of Healthcare" in India
- It is the largest corporate entity in healthcare in Asia and the third largest in the world
- It has won multiple accolades both inside and out of India. The Apollo Hospital in Chennai was the first Indian hospital to be awarded ISO 9002 and ISO 14001 Certifications and has been named “Best Private Sector Hospital in India” by The Week magazine
- Apollo manages over 6400 beds in different centers and is currently involved in either the management or ownership of 45 hospitals in India and abroad

2006

India
- Chennai¹
- Hyderabad¹
- Delhi¹
- Kolkata¹
- Ahmadabad¹
- Others (4)¹
- Others (250)²

Overseas
- Sri Lanka¹
- Bangladesh²
- The UAE²
- Nepal²
- Ghana²
- Nigeria²
- UK²
- Saudi Arabia²

(1) Apollo Hospitals
(2) Apollo Clinics

Source: Literature Search, Company website
Apollo Hospitals Group – The Group has an integrated business model (‘Across the Healthcare Spectrum’)


Apollo Hospitals Group– Companies, besides Hospital

Apollo Health Street Incorporated

- Offers Business Process Outsourcing and IT solutions and services to global clientele
- Established in 1999

Apollo Pharmacies

- Largest retail pharmacy chain in India and has round-the-clock operations - maintains a stock of prescription drugs, OTC medicines and other health and body-care related products
- Moving towards offering e-prescription based services

MedVarsity Online Limited (MOL)

- Acts as a catalyst for students and is complementary to the existing education system - over 1500 hours of medical content that is accessible to the medical community
- Established in 2000

Apollo Telemedicine Enterprises Limited (ATEL)

- Allows the participant sites to collaborate with institutions in India and abroad and provides their clientele access to healthcare in areas not adequately served by the medical community
- Established in 1999
Apollo Hospitals Group– Companies, besides Hospital

- **Family Health Plan Limited (FHP)**
  - Its the largest Third Party Administrator (TPA) in Asia - affiliated to 1700 major Corporates and manages 4.7 million lives
  - Initiated ‘managed care’ to control rising medical costs, and to make medical facilities accessible for greater number of people

- **Online Hospital Equipment Services Private Limited**
  - An electronic equipment exchange for medical devices and high-end technology products used in the delivery of medical care
  - It provides expert advice and services on technology, techno-commercial issues

- **Apollo Health & Lifestyle Ltd (AHLL)**
  - Delivers family-focused primary healthcare services through branded Apollo clinics across India and its neighboring countries.

- **Keimed.com Limited**
  - Used information Technology to create an e-marketplace that would service Apollo and others through an end-to-end, logistic solutions partnerships for effective inventory management and control
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Drivers for International Expansion

- **Huge opportunity**
  - **Large unmet need for high quality medical care**
    - High unmet demand, specially amongst people who could not afford to travel abroad for treatment
    - Major procedures like open-heart surgery were unavailable
    - The medical treatment in many Asian and Gulf countries was conducted sloppily, using low quality equipment
  - **Greater ROI**
    - Certain foreign markets such as Gulf countries, were lucrative as they could generate higher ROI
Apollo’s used the OLI Paradigm effectively for International expansion

- **Ownership**: While the hospital group has maintained its ownership it has found that in order to remain competitive and achieve scalability it needs to relinquish some of power and has adopted the franchising model in order to expand.

- **Internalization**: Used an internal strategy of leadership, quality and network. The chain has spun of subsidiaries under its main brand which include Apollo Clinics, Apollo Pharmacy etc. Apollo is continually characterized by change and innovation. Strategic inorganic and inorganic expansion in order to rapidly ramp up and help keep the company abreast with the dynamic business environment.

- **Location**: Apollo has firmly reaffirmed in its strategy the belief that “more is sure”. The chain apart from setting up multiple hospitals and clinics in each city have now set it footprints in tier 1,2 cities alike. It has aimed to become a global brand by setting up centers in Dubai and other Asian countries and is continually looking to expand.
Apollo’s branding and demand generation initiatives focused on individuals, referring doctors and corporations

- **General public and individuals**
  - Awareness of high quality medical care and stress illness prevention
  - Targeted mailings to promote Apollo clinics for various therapies such as diabetes, asthma, back pain, cancer and cardiology
  - Introductory discounts to attract first time users
  - Developing an internal system to respond to all consumer queries promptly
  - Regular advertising in a variety of media to target urban consumers
  - Screening programs for illness such as cancer and tuberculosis in rural areas

- **Local Doctors**
  - Individual visits by Apollo sales force, to local doctors to build relationships
  - Frequent mailing by Apollo to the doctors, to keep them informed about the hospital’s services and procedures
  - Track number of referrals made by individual doctors in a computerized database
  - Inform and update referring doctors about the progress made with the patients
  - Encourage Apollo doctors to participate in national Medical Association meetings to increase the Hospital’s familiarity to doctors across the nation

- **Corporations**
  - Corporate and government employers – Less price sensitive than those who paid out of pocket
  - Target key decision makers such as top executives, human resource managers, trade union leaders and company medical advisors
  - Mailings and individual visits
  - Conduct programs at the companies to increase awareness and teach skills such as first aid
Apollo has taken various key Initiatives to increase international presence and operational efficiency

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<th>Strategy</th>
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| Increased emphasis on Managed Hospitals| • Apollo built the first HMO (Health Maintenance Organization) in 1995, on the lines of HMOs in the USA. It provides all medical care as needed to its members in return for a fixed annual premium. The HMO combines two methods of expansion – building wholly owned facilities and licensing  
  • Increased emphasis on Managed Hospitals in order to reduce risk, cost and to increase geographical reach  
  • Licensing will help spread Apollo’s influence and recognition more quickly than building wholly owned facilities |
| Improvement in efficiency and cost reduction | • Improvement in efficiency through better asset utilization of all existing facilities  
  • Cost Reduction through simplification of processes in the areas of materials, manpower and financing  
  • Aggressive marketing to access overseas markets – measures such as publicizing successful surgeries, awards, accreditations, alliances/partnerships and accolades  
  • Has established an AIC (Apollo Information Centre) network, establishing government-private partnership for patients to be sent by the respective 'Treatment Abroad Committees,' referring private patients through health insurance HMOs and TPAs and through local doctor referrals |
| Aggressive marketing                   |                                                                                                                                                                                                                                                                                                                                            |
| Backward Integration                   | • There is increasing focus on providing wholesome health solutions, integrating to the Indian methods of wellness.                                                                                                                                                                                                                     |

Source: Literature Search
Apollo Hospitals has also taken other steps to expand its reach and penetration globally

International Affiliation and Accreditation

- The only international training organization for the American Heart Association Technical support from Texas Heart Institute and Minneapolis Heart Institute for Cardiology and Cardio - Thoracic surgery
- Exchange programs with hospitals in the U.S. and Europe
- Association with the Mayo Clinic and the Cleveland Heart Institute, USA
- Associate of the Johns Hopkins University, USA

Apollo Hospitals has entered into various alliances to broaden base its value proposition

International Research Alliances

- Stem Cell Research and Therapy
  - July 2005 - Tied up with Histostem, part of the Delaware Corporation, for the development of a sustaining and mutually-beneficial relationship in Cord Blood Stem Cell Research and Therapy in India
- Medical and Business Collaborations
  - July 2005 – Collaboration with Johns Hopkins to jointly develop state-of-the-art concepts, technology, partnerships with clinical departments especially in Oncology, Neurosciences and Cardiology, nurse education, telemedicine, clinical research and medical education

Local Partnerships/ JVs

- The local partnership approach has worked very well for Apollo
  - Local Partner
    - Local partner usually deals with many local issues, besides providing capital, such as provision of land and dealing with local authorities, doctors and other interest parties
    - Help in creating a sound clientele base
  - Apollo – Partial capital investment, and management
- Example - Apollo Hospitals Group in a joint venture with its Bangladeshi partner STS Holdings, Dhaka

Source: Literature Search
Apollo’s success can be attributed to its organization around ‘Five Stars’ to give patients advanced medical care possible at high quality

- **Medical Personnel**
  - Hired top quality medical personnel – top caliber, renowned doctors and surgeons were a key to Apollo’s reputation and service
  - The presence of top specialists garnered referrals from throughout the world. Apollo took every opportunity to publicize the accomplishments of its doctors

- **Medical Technology**
  - Effective application of the latest medical technology has been a critical part of Apollo’s service and appeal to patients and consultant doctors
  - Equipments have always been expensive but Apollo never compromised

- **Employees**
  - Motivation – Employees have been the ‘middle star’ for Apollo, signifying their central role in the success of the Hospital. Every individual is valued
  - Culture – Strong sense of community
  - Compensation – 10-20% higher than the industry average

- **Hospitality**
  - Every employee is expected to take responsibility for each patient’s every need
  - Every employee has to go through an induction training which emphasizes on grooming, etiquette and hygiene and stressed ‘Never forget to thank a patient’
  - Focus on a number of ways to serve patients better than the competition
  - Patient health has always been the most important indicator of success and hence the hospital has always been focused on providing the best medical outcomes

Source: Literature Search, Harvard Business Review
Apollo is looking to expand aggressively in other international markets

- Fiji
- Mauritius
- West Asia
- The Caribbean islands
- Africa
- Mongolia
- Kazakhstan
- Georgia

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Thank You!

(query@redseerconsulting.com)