



How China's first online grocery business made it easier for sick people to pick up their prescriptions

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When Yu Gang co-founded China's first online grocery start-up Yihaodian in 2008, he had little idea that his initial desire to provide on-demand groceries in China would eventually lead to him helping millions of patients across the country pick up pharmacy prescriptions without having to wait hours at under-staffed hospitals.

"Medicine is just like any other fast-moving consumer good, there is inelastic demand," Yu said. "We saw that there was an opportunity to help consumers get medication in a more convenient way so we decided [that Yihaodian should] branch out into an online retail pharmacy business."

Yu, who served as the former chairman of Yihaodian, later spun off the e-commerce pharmacy business in 2012 together with co-founder Liu Junling, and by 2015 the two had left Yihaodian (then already a Walmart subsidiary) to focus on making medication more accessible for patients. Now known as 111 Inc., the Nasdaq-listed firm is currently the world's largest virtual pharmacy network in terms of the number of stores, according to consultancy Frost & Sullivan.

The Shanghai-based firm operates 1 Drugstore, an online retail pharmacy; 1 Clinic, an online health consultation platform for consumers; and 1 Drugmall, a one-stop shop that provides pharmacies with a wide range of pharmaceutical products.

Consumers likely to obtain the most value from a company like 111 Inc. are China's chronically-ill patients, according to Yu. An estimated 300 million patients in the country – a number roughly the size of the US population – suffer from severe illnesses, and a majority of these patients have to make regular visits to the hospital to obtain the medication they need, often spending hours in long queues at China's under-resourced hospitals.

[Chinese online chemist 111 looks beyond lacklustre Nasdaq debut to strong growth at wholesale unit](#)

"Chronically-ill patients often need to take medicine for the rest of their lives, but Chinese hospitals only offer prescriptions that are valid for one month every time they visit," Yu said. "This means that patients need to visit hospitals each month and wait for three or four hours each time for a new prescription."

China's transformation over the past three decades from a largely agrarian nation into the world's second-largest economy has placed increasing strains on its social infrastructure. A cradle-to-grave system of socialised medicine has improved life expectancy and lowered mortality rates but it's now under pressure as China's population of more than one billion people increasingly confront the health problems that face more affluent societies.

The Shanghai-based company is currently one of many firms battling it out for market share to transform a billion-dollar health care industry. The market opportunity is lucrative. Looking at drugs sold via online retail pharmacies alone, transaction values are expected to grow more than tenfold in five years, from 29.1 billion yuan in 2017 to 323.5 billion yuan (US\$47 billion) in 2022, according to Frost & Sullivan.

Other companies in the online health care space that also offer remote doctor appointments and e-commerce when it comes to medication and health care products include Alibaba Health Information Technology, the Hong Kong-listed health care flagship of e-commerce giant Alibaba Group, as well as Tencent-backed WeDoctor. Meanwhile Ping An Good Doctor, a Hong Kong-listed online health care firm, recently unveiled unstaffed, artificial intelligence-powered clinics on the mainland.

Alibaba is the owner of the *South China Morning Post*.

111 Inc. offers users the possibility of seeing a doctor remotely via its online health care platform, and having an electronic prescription written for them so that they can purchase medication online without leaving their homes. The company already has 80 in-house doctors and over 1,000 part-time doctors that are available to consult with patients on its 1 Clinic internet platform, according to Yu.

Users who prefer to buy their medication in-store can head down to a pharmacy, scan a QR code onsite to receive an online prescription from 1 Clinic, and purchase their medication in the pharmacy directly. The company said that it already works with about 130,000 offline pharmacies in China, or about 28 per cent of China's 450,000 fragmented pharmacies, which can fulfil prescriptions and accept payment via social security.

Offline pharmacies can also obtain stocks of pharmaceutical products from 111 Inc.'s 1 Drugmall. 111 Inc. offered over 290,000 different kinds of products as of July 2018. The business-to-business model of directly supplying pharmacies cuts out middlemen and allows pharmacies to obtain products at cheaper rates, thereby improving operating margins for these offline pharmacies.

[China moves a step closer to national health care network with Guizhou data centre](#)

111 Inc.'s e-commerce and online-to-offline services in the market come amid recent Chinese government moves to put in place regulations and policies to mobilise medical resources and improve drug distribution. This includes the "Internet+ Healthcare" policy that aims to use online capabilities to improve offline health care efficiency, an action aimed at addressing unevenly-distributed medical resources and staff, particularly in rural areas.

In its recent results for the quarter ended September 30, 111 Inc. doubled revenues to 497.6 million yuan from the same time last year, although its net loss also more than doubled to 125.9 million yuan from the previous year, largely due to an increase in the cost of products and an uptick in technology

expenses.

Although 111 Inc. is currently still a loss-making company, Yu is optimistic that technology, such as AI and big data, will be invaluable when it comes to harnessing data and providing personalised medical services to users in future.

"For one user, we can apply as many as over 100 labels, obtaining data on where they are from, their behaviour, the kind of medication they're searching for, and the periodicity and brand loyalty of their purchases," said Yu, who is an adjunct professor at the Chinese University of Hong Kong's department of systems engineering and engineering management, as well as a former Amazon and Dell vice-president.

The wealth of information that 111 Inc. can obtain from its users will allow the company to provide more targeted marketing and services to its users, which will in turn enhance consumer loyalty and boost sales in the future, Yu said.