

From Price to Quality to Innovation – How Asia Changes the Game in Cars and Healthcare

Cars and healthcare. For some reason, I see a lot of similarity in these two very different industries. The idea that I can equate medicine with manufacturing perplexes many and ever angers some, but there are some interesting parallels between the two.

The first is how Asian car manufacturers changed the game by evolving from the price leader to the quality leader to the innovator. From the lowly Datsun came the Honda Civic then the Toyota Prius. Japanese manufacturers entered on price; gained respect and market share on quality, and now lead through innovation. You don't buy a Toyota Prius because it is cheap; you buy it because it makes you feel good. Toyota changed the game from selling a car to selling environmental awareness – not something that Hummer understands.

Asian hospitals are essentially doing the same thing in the US healthcare market. They are attracting US medical tourists on price, delivering on quality and wowing on service. Look at Bumrungrad International's new outpatient clinic – the design is changing the way a hospital looks and feels. That's important to people. US healthcare is over-engineered; building the healthcare equivalent of an SUV, while Asian hospitals are starting to offer the Civic.

The second is how American car manufacturers, like GM, are competing and winning in Asia by adopting distinctly Asian tactics. GM announced last week that it was expanding its manufacturing facilities in Thailand to meet rising demand for its cars and trucks in Asia and the Middle East. In Asia, GM is making money -- \$128 million in the first half of 2008 alone. Back in Detroit, GM is in a death spiral of restructuring, falling sales, layoffs and a record \$10 billion dollar loss. How can GM compete in Toyota's backyard and thrive when they are getting their lunch eaten in the States?

Because in Asia, General Motors is quietly reinventing itself as a profitable producer of small, environmentally friendly cars that use South Korean technology, Japanese production techniques, and Thai labor. GM is competitive in Asia because they changed their thinking, business model and focus. GM broke out of their big engine, US

centric, vertically integrated model into a light engine, global platform using strategic partners. These Asian-built GM cars are what the company should be building in Flint one could argue.

Like autos, one of the big opportunities in healthcare is in new product and network development through partnerships. Methodist International, a subsidiary of Methodist Hospital Systems out of Houston, Texas has signed a management agreement with Emaar Properties, one of the world's largest property developers, to build and manage 100 hospitals and medical centers in the Middle East over the next decade. Dr. Lynn Schroth, the CEO of Methodist International, is positioning **the brand** to become a "global health care leader with a global network of hospitals".

World class medical institution partners with world class property developer to serve world class cities in high growth markets. Now that's smart.

Globalization is forcing healthcare to look at the world differently. It doesn't matter if you are producing cars or computers, the market will always favor the low cost producer of quality goods and services. GM's experience suggests that Asia is a tough competitor but an even more attractive partner. It's probably time US healthcare looked at a trade-in.

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