

Anbang injects innovation to rescue Vivat

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Just one year after China's Anbang Insurance Group bought the Dutch insurer Vivat, it has pulled off a surprise by turning the loss-making entity into a profitable one through effective management and market-centric strategies.

Vivat delivered a record net profit of 578 million euros (\$649 million) in the first half of 2016, according to Vivat results released on Aug 31.

Anbang's success is being hailed as a template for a successful post-merger integration that can be followed by other Chinese companies. It comes at a time when Chinese outbound acquisitions are reaching record levels.

Unlike most Chinese acquisitions, which only inject capital and leave business decisions to existing overseas management teams, Anbang became actively involved in Vivat's management and its strategic focus.

Vivat CEO Ron van Oijen says Anbang enhanced Vivat's profitability by abolishing unprofitable businesses, optimizing asset allocation and building up Vivat's core business model in products, service and channel innovation. Anbang also ensured effective implementation of the strategies through optimization of governance, organizational structure and allocation of personnel.

Anbang acquired Vivat in July last year for 150 million euros. Vivat is the former insurance arm of Dutch financial institution SNS Reaal NV. Despite Vivat posting losses at the time, Anbang appreciated its history of more than 100 years and its status as one of the top six insurance companies in the Netherlands.

Howard Yu, a professor of strategic management and innovation at IMD Business School in Switzerland, says Anbang's success with Vivat champions a groundbreaking model in which the Chinese acquirer injects new management expertise into its European target,



ANBANG INSURANCE GROUP'S Beijing headquarter. GUO LIUZUO / FOR CHINA DAILY

in contrast to many Chinese outbound acquirers that aim to learn from their Western targets.

"This might well be another indication of Chinese enterprise moving up the value chain," Yu says, adding that Anbang's innovative management of Vivat, with its emphasis on social media marketing and online and mobile distribution, are key to its success. In 2015, Anbang helped Vivat launch a new application in the Apple Store to help users calculate premiums, submit claims and make inquiries about insurance on their smartphones. Users can also obtain support for this service through social media platforms, including Twitter and WhatsApp.

Christopher Bovis, professor of European and international business law at the University of Hull, says Anbang's acquisition of Vivat initially took many by surprise because of Vivat's low profitability and margin erosion due to its diluted and unfocused strategy. He says that was detrimental in the insurance market, which is underpinned by dynamic market currents and influenced by short-term demand fluctuations.

Bovis says the core of Anbang's success lay in three strategies. First, it installed a corporate team at Vivat to implement a customer-centric approach. Second, it made changes to Vivat's cost structure to allow per-

formance optimization. And third, it established an intelligent process that helps with assessing and pricing risk in insurance underwriting.

Anbang brought to Vivat a new understanding of the 21st century insurance market and its needs, which was effectively a makeover of a 100-year-old, traditional company, says Alan Barrell, entrepreneur in residence at the Judge Business School at the University of Cambridge.

Barrell says he expects to see more aging and struggling Western companies invigorated and transformed for extended and profitable lives, thanks to the injection of Chinese innovation and vigor, "not just Chinese money".

chongqingreport

CLC raises \$500 million from overseas investors

By TAN YINGZI in Chongqing
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Chongqing Western Modern Logistics Industry Zone Development Construction opened the books for its five-year bond on Aug 30 in Singapore at 250 bps over US Treasuries and raised \$500 million from investors.

The coupon rate is 3.25 percent.

The State-owned company, established by the Chongqing municipal government, is the developer of Chongqing Logistics City, also known as CLC, which was established in 2007 in the western part of the municipality, covering about 35 square kilometers with a total investment of 111.7 billion yuan (\$17.49 billion).

It hired Citi Group and DBS as joint global coordinators. CEB International, Bank of China, Industrial and Commercial Bank of China, China Construction Bank, China Citic Bank International, Bank of Communications and Shanghai Pudong Development Bank are the joint lead managers and bookrunners.

The company hit the road for its maiden dollar outing, holding 19 investors meetings in Hong Kong, Singapore and London from Aug 23 to 29.

In addition to the relatively low fundraising cost of US dollar bonds, one of the major reasons to issue dollar bonds in the southeastern Asian country is to enhance the relation-



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EXECUTIVES of Chongqing Western Modern Logistics Industry Zone Development Construction mark the success in bond listing in Singapore on Aug 30.

ship with Singaporean investors, according to the company.

The fundraising round was the first act of financial cooperation under the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, the third intergovernmental project between the two countries.

Chongqing, the center of operations for the program, will pilot cooperation in fields ranging from financial services, aviation, transportation and logistics to information communications technology.

In addition to the Chongqing-Xinjiang-Europe International Railway, Luo Shuquan, chairman of the Chongqing company, said that they are currently working on a new trade route. The route will start in Chongqing, run through southern China's Guangxi Zhuang autonomous region and finally reach Singapore.

The Chongqing-Guangxi-Singapore international transportation link will become the shortest cut to the sea in Southwest China, Luo said.

"It will help connect the Silk Road

It (the Chongqing-Guangxi-Singapore international rail) will help connect the Silk Road Economic Belt and the 21st Century Maritime Silk Road.

LUO SHUQUAN

CHAIRMAN OF CHONGQING WESTERN MODERN LOGISTICS INDUSTRY ZONE DEVELOPMENT CONSTRUCTION CO LTD

At present, it has raised 16.7 billion yuan from overseas financing, non-publicly oriented debt financing, perpetual tickets, sustainable corporate bonds and corporate bonds.

The company set up a logistics industry development fund of over 10 billion yuan with Ping An Insurance (Group) Co in April 2015.

A third-party payment platform is now under development. In May, Chongqing Railway Port Logistics Development Co, the Fujian-based superstore giant Yonghui Group, and Liangka (Beijing) Information Technology Co Ltd started to build the platform together with registered capital of 100 million yuan.

The platform's trade volume is expected to reach 300 billion yuan in the third year after launching.

"Our focus in the coming two years is to build the CLC into a pilot zone for logistical finance," said Gu Yonghong, CLC deputy general manager and president of CLC Asset Management Co.

This year, the CLC plans to set up bonding companies and a transaction settlement center, as well as build equity investment management companies in Hong Kong and Singapore, he added.

"The CLC has become a pioneer among the companies included in China's Road and Belt Initiative to use international capital to diversify its funding resources," Gu said.

Economic Belt and the 21st Century Maritime Silk Road to promote the integration of Asian and European trade," he said.

The company plans to develop the Chongqing Western Modern Logistics Industry Zone into a railway-bonded logistical center after it became a free trade zone on Aug 31.

The logistics center will provide international trade and logistics services, especially in cross-border e-commerce, intermediary trade and payment settlement.