



**INNOVATION AND  
DISRUPTION**

**WE HAVE  
NEVER BEEN  
SATISFIED WITH  
THE *STATUS QUO***

from the way we market our consumer brands and maintain the quality of the pharmaceuticals we import, to the way we contribute renewable energy to the national grid and run a sustainable agribusiness sector in harmony with the community and environment.

For us, innovation is not limited to digital technology – although we are proud of the many hi-tech systems and processes that we have adopted in pursuit of value creation. Innovation also encompasses the way we challenge the *status quo*.

## INVESTING IN TECHNOLOGY

Our operating environment is changing faster than it ever did in our half century of existence. Regulations are tightening, the socio-economic and political environment is often unpredictable and the climate is more extreme than ever. We understand the value of being visionary and preparing for the future, today. Our innovative outlook in the face of extreme and unpredictable change has helped us weather many a storm in the past. Now, across the Group, technology is playing a big role in streamlining our systems and processes and takes up Rs. 61 Mn. of our capital expenses.

We began the year with many useful technological innovations already in place. For instance, during the previous reporting year, we had already switched to cloud data centres to achieve greater accessibility, mobility, scalability, security, and cost benefits. We also implemented a Group-wide cloud-based platform to centralise key operational data, streamline communications and coordinate decision-making within the Sunshine network. In addition, we strengthened information security to protect corporate and customer data.

## **While many of our business partners are behemoths in their fields, organisations that have built their reputations over decades, we also partner with innovative new companies.**

In agribusiness we work with two start-ups using drone technology to gather field data. If a field has been left fallow, drone technology helps us to identify that field and take necessary action. (Refer page 51 under “Minding our plantations” for more details of this study.) We are always on the lookout for innovative young companies that are able to add value to the work we do.

Technology is a major game changer. Significant upgrades during the year include the implementation of the following:

- Customer relationship management system
- Business recovery process
- Management information system for principals
- Business intelligence tool
- Enterprise resource planning system

## **Even in times when travel to the country is difficult, our principals have the option of accessing their data from anywhere in the world through the upgraded management information system.**

In our healthcare business we also took initial steps to secure a demand planning tool.

Similarly, in our medical devices business, we are also phasing out printed communications for reaching out to customers and switching instead to digital channels such as email and social media, while our field agents carry electronic tablets with them instead of brochures.

# CUSTOMER ANALYSIS AT OUR HEALTHGUARD PHARMACIES

allow us to make vital decisions about the optimal number of employees per pharmacy, especially during rush hour.



At our Healthguard pharmacies we use technology to understand customer behaviour. Through analysis we review information such as how long they spend at the counter to how often they make an unplanned purchase. This kind of management information is shared with Senior Management and constant changes are made to our operations to cater to new customer needs.

Such adjustments include the optimal number of employees per pharmacy, particularly during peak times. Most customers will want to make a quick purchase and leave, but there are others who may wish to linger and speak with the pharmacist who will most likely have been stationed at the same location for several years and have built up strong relationships with the community. Our focus is to serve both types of customers'. We also provide our Healthguard employees with the necessary tools and technology to supplement our customer service training.

Using our understanding of shopper behaviour we have provided solution that address customer needs and pain points. The trial of online doctor consultation Apps is one such step that offers greater convenience. It offers our customers the convenience of a video or audio consultation with a qualified physician in store. Based on its success, we plan to roll out more of such services across our pharmacies and market it to customers. We also provide services such as blood pressure and blood sugar monitoring in store.

Another innovative service that we are trialling relates to addressing a pain point related to prescribed drug availability.

**Instead of travelling from pharmacy to pharmacy in search of the recommended brand, customers can now WhatsApp their prescription.**

When we receive their WhatsApp message, we either send information about which store has the drugs they need or have their order already prepared by the time they enter the pharmacy. This service is also available through our customer service hotline for customers who still prefer to have that human interaction with their pharmacist.

While maintaining customer confidentiality we also keep our partners – including global behemoth GNC Holdings – informed of customer choices and trends. This enriches our relationship with our partners while also strengthening customer relationships by being able to provide the products that they need.

**DISRUPTING THE  
MARKET THROUGH  
HEALTHGUARD**

**THE PHARMACY  
THAT OFFERS  
MORE THAN JUST  
PHARMACEUTICALS**

Healthguard was launched 15 years ago as a market disruptor.



Even after Healthguard first emerged in the market, we remained a disruptor with our distinctive branding and store layout. Now we have disrupted the market again through our offerings and services – including a range of wellness and beauty products that are tailored to customers' specific health needs.

We continue to look at new ways to engage with our consumer, exploring how a Healthguard pharmacy should look and even smell in order to improve consumer experience, we will also explore ways of increasing our reach using technology as we continue to provide customers with greater convenience and superlative care.

## FUTURE OUTLOOK

# OUR STRENGTHS AND ACHIEVEMENTS ARE SET

against the context of the operating environment that prevailed as illustrated throughout this Annual Report.



Our story for the year under review is full of useful indicators of our prowess in the sectors within which we operate. These anecdotes illustrate healthy growth and financial stability. Given the unprecedented pace of change in the operating environment and the potential challenges we face though, we are keenly aware that historical performance does not necessarily equate an assurance of future potential and prospects.

For this reason, we state here the Group's plans to deliver value to stakeholders in the near future, in the context of the forecast operating environment, based on publicly available information.

Due to the future's volatile and unpredictable nature, and the fact that the statements that follow are forward looking, we urge you to keep in mind that all opinions, forecasts and plans given here are subject to change depending on how the future unfolds. Such changes will in turn impact the risks and rewards outlined here.

## **GLOBAL OUTLOOK**

While economic activity was on an upward trajectory in many regions of the world over the first half of 2018, one year later that growth has slowed down. The effects of US–China trade tensions, credit tightening in China, disruptions to the car industry in Germany, and financial tightening in key advanced economies have resulted in weaker-than-expected global expansion, which is projected to impact the first half of 2019.

The World Economic Outlook (WEO) expects as much as 70% of the world economy to witness slower growth in 2019. Global growth declined to 3.6% in 2018 and is expected to slide further to 3.3% in 2019. Despite this weak start though, growth is projected to accelerate slightly in the second half of 2019. This can be attributed to the more accommodative stance taken by the US Federal Reserve, the European Central Bank, the Bank of Japan, and the Bank of England. In the meantime, China has increased its fiscal and monetary stimulus to counter the negative impacts of trade tariffs. In addition, with the prospect of a trade agreement looking slimmer, the outlook for US–China trade tensions is deteriorating. While markets are more optimistic, they remain slightly more reserved than in the last quarter of 2018.

## **REGIONAL OUTLOOK**

In Asia, market stocks as a whole fell significantly during 2018, with key markets including Japan, Hong Kong and Shanghai performing poorly. The escalating trade conflict between China and the U.S. can be considered one of the culprits for the poor performance which has the potential to shake the global economy and disrupt supply chains across the Asian region. Hong Kong exporters like consumer goods trader Li & Fung Ltd. in Hong Kong have witnessed more than 70% of its market value evaporate since May 2018.

The Asian Development Bank (ADB) expects growth in South Asia to nudge upwards by 0.1 percentage point – from 6.7% in 2018 to 6.8% in 2019 and again to 6.9% in 2020. Growth in India is expected to increase to 7.2% in 2019 and 7.3% in 2020 with agriculture domestic demand picking up. Several other regional countries are projected to maintain or pick up growth rates. Bangladesh is expected to reach 8.0% growth in 2019 and 2020. Using broad ranging reforms, Pakistan and Sri Lanka are currently focusing on restraining fiscal and external imbalances.

**LOCAL  
OUTLOOK**

**OUR HEALTHCARE  
BUSINESS IS  
DEPENDENT ON THE  
UNFETTERED FLOW  
OF CARGO**

into the country. Thanks to diversification and the prudent use of technology though, the Group has been able to mitigate the risks that come with such dependency.



Sri Lanka's GDP is expected to grow by 3.6% and 3.8% in 2019 and 2020 respectively – one of the lowest in the region. Inflation rates are forecast at 3.5% and 4.0% respectively for those two years. Per capita GDP growth for Sri Lanka is expected to reach 2.6% in 2019 and 2.8% in 2020.

Two important elections – the provincial council elections and the presidential election – can be expected in 2019. As a result of uneasy relationships between political parties and players, political risk remains elevated.

**OUR PLANS** Going into 2019-2020, we will be looking to scale our brand, focusing on prudent organic and inorganic growth, and business process optimisation. The recent acquisition of Hayleys pharma divisions and the intent to merge with CIC are clear indications to the market that Sunshine Holdings is looking to expand. Our trusted brand is synonymous with integrity, responsibility, perseverance, and innovation. We plan to fortify our brand strength in the market to attract high quality investors and employees to join us as we continue to focus on creating greater value.

Within our existing diverse businesses, we will be looking to reinforce our leadership position – reimagining what it means to be a market leader in these fields. In arenas where we are chasing the leader we will look to widen market share and win hearts and minds while continuing to invest in employee development.

In the wider business community, we are lobbying for better practices and policies with the aim of creating an optimal environment for Sri Lankan businesses – one where good governance and responsible stewardship go hand in hand with wealth creation.

**EXPLORING DIVERSE AVENUES** In healthcare we will continue to investigate diversification of products, bringing in trusted brands for our customers. Through constant analysis of customer habits and trends we will also bring in new and innovative services for their convenience.

Likewise, in our agribusiness we will continue to focus on palm oil while also maintaining smaller holdings of crops such as rubber. Our dairy business is showing great promise and we will continue to look at implementing best practices to scale up.

In the consumer business we will continue to invest in our brands Zesta, Watawala and Ran Kahata. Watawala water is one of our newer products in the consumer space. Sourced from Hatton – a region with the highest PH levels, it is of a superior quality. This is not, however, a product we are ready to promote just yet. In the meantime, we are exploring sustainable methods of storing and transporting this product. We are also looking to add more products to our portfolio with the introduction of diverse healthy beverages in addition to tea.

In the renewable energy space as well, we continue to explore opportunities. Of the three elements – generation, distribution and transmission – the only option available to the private sector is power generation, so we are able to contribute to the national grid. Our solar rooftop solution is currently showing great promise as described on page 52 under "Focusing on renewable energy". While we have put our exploration of standalone solar panels on hold, we continue to investigate other options including wind farms, and bio thermal energy.