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China - PCHI 2009, a glimmer of light shines through the stormy clouds

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Last autumn an economic/financial storm broke out and set a watershed in History. A huge tidal wave hit all the markets worldwide, generating scenarios that were unthinkable just a few weeks before. The foreseeable recession was rapidly confirmed by the facts, with all the economies plummeting into the crisis, whose consequences, it is foreseen, will linger for long and whose developments nobody can predict exactly. All products have suffered from the crisis some way or the other and, due to a domino effect that seemed unstoppable, consumption has dramatically dropped as well. The market is by definition the "marketplace" for business, for any business. What has actually happened is that in the last few months all operators of the market did continue to do business, yet with little peace of mind, actually with a sense of preoccupation that hampered sales, as everybody has been waiting to see what will happen next. As regards our scope, this preoccupation is reflected by the so-called "trade fair indicator", since attending fairs is today irremissible for any business activity, hence fairs give you a good picture of how economy is going. Trade fairs are not only the place where demand and offer meet, today they also tell about the economic status we are experiencing. The number of exhibitors and visitors and the level of networking provide today an indication of the health of the market, of every market. This is an element that puts trade fair organisers in a position of great responsibility, since the ability to attract operators, provide useful and effective networking opportunities will impact not only on today's work but especially on tomorrow's. Can we foresee that the current recession will lead to some sort of upheaval in the global offer of fair events? Obviously enough, budget reductions for promotional activities that companies had to make due to the crisis will have some consequences on the performance of trade fairs. Recently, a number of events have seen attendance greatly reduced, other events have been actually cancelled. Inevitably, participants to events will make some choices as regards where and when to attend. These are some of the considerations I was making as we were waiting for the PCHI event in Guangzhou, one of the areas that strongly drive the economy of China, the giant we all look at today as the new leader for new economies. How is this PCHI going to be? Who is going to attend, and who is not? And, especially, what is this year's event going to tell us? What prospects is it going to open up? These were not just questions I was making to myself, but I believe that they were questions every journalist and news operator reporting on the event was making. However, these questions were not really bothering media representatives as much as the market operators, the

exhibitors, who greatly depended on the responses to these questions. Well, today, after the event, we can say that things went better than expected. Figures speak very clearly, with an increase of visitors by 16.3 percent compared to the 2008 edition, 6000 attendees of which 4000 were Cosmetic and Toiletries trade professionals – numbers that have certainly exceeded expectations by far. This brings some considerations. If it is true that worldwide economies are slowing down, and that certain countries are experiencing recession, China is to some extent slowing down as well compared to performance before the crisis, yet Chinese economy still remains fast-moving, with a growth rate of 10 percent, very significant compared to the other economies. As we had already reported last year, China has a large medium level class, and growing, which demands for high-quality products and represents an ever more interesting market with fast growing consumption, especially in the personal care, cosmetics and wellness segments, as the many SPAs sprouting all over the country can witness. The growing economy is driven by a continuous search for innovation in all fields, from research and development to services provided, growing attention towards conforming to quality and safety standards accepted internationally, fundamental elements to scale up to the world market. These and other issues were highlighted in a press conference attended by the organisers (Paul Lee, vice-president Reed Exhibition, Lawrence Wong, Deputy Managing Director, Jason Li, Deputy Manager), a number of event speakers (Karl Lintner, Sederma, Kevin Roden, Thor Specialties and Andrew Jacka, President Thai Spa Association), ABI ASIA representatives, a PR agency, and the media.

PCHI CONTINUES TO BE AN EVENT OF REFERENCE FOR CONSUMER CARE MARKETS INSIDE AND OUTSIDE CHINA

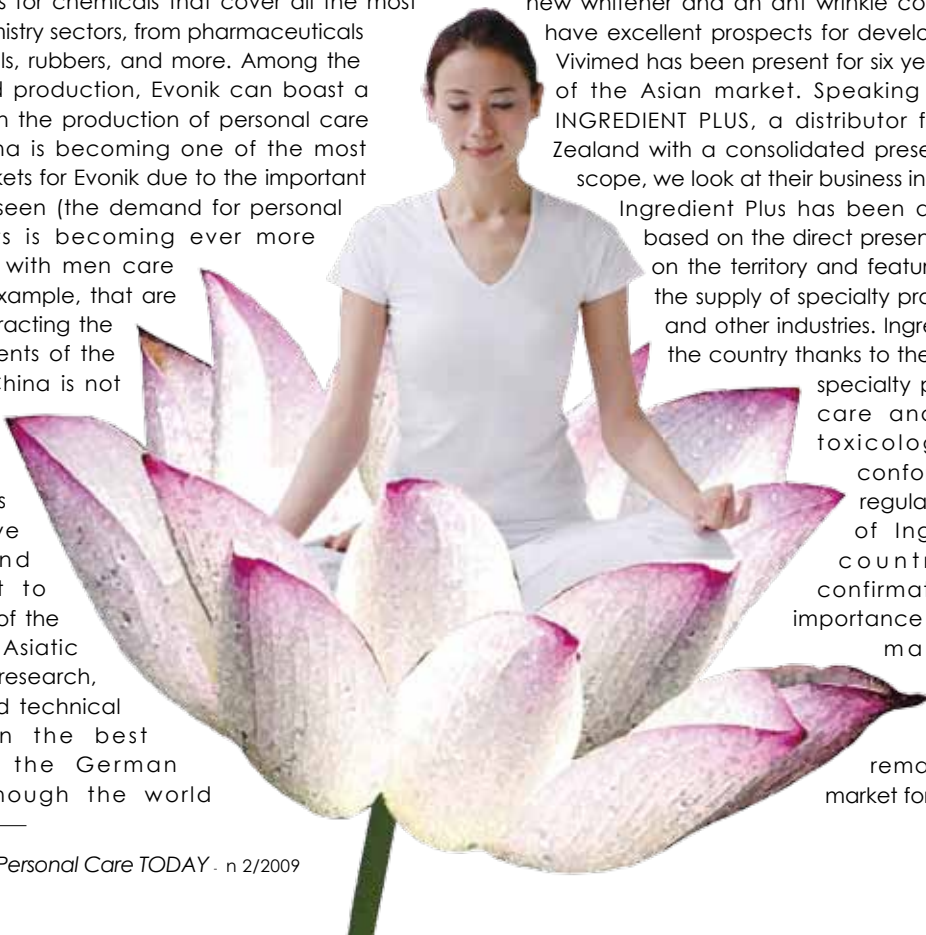
Given the above, PCHI 2009 has confirmed its leading position as a major event of reference for the sector. This edition was held in Guangzhou, the heart of production for the sector, an area that includes hundreds of businesses. Yet, the importance and potential of this event goes well beyond China and looks both at the promising Asiatic markets and at Europe to foster the import export business. A significant example of how the markets are currently evolving comes from the companies interviewed by HPC Today. We heard from companies from China, like Guangzhou Tinci, Fanzhi Pharmacy, Qingzhou Ailifong, from Europe, like Evonik, Silab, from the Arabic area, like SABIC, from India, like Vivimed, and from Australia, like

Ingredients Plus. China stands as the heart of development for whole Asia, thus PCHI becomes an irremissible event for anyone willing to do business in China, and in Asia. Meeting the aforesaid companies has confirmed that great results can be achieved by committing to these markets.

THE COMPANIES WE INTERVIEWED

Guangzhou Tinci, which we had also met at last year's event in Shanghai, confirms through the words of his General Manager, Mr Patrick Chen, a positive trend regardless of the global slowdown. The company is experiencing constant growth in the personal care market with a continuous drive towards technological innovation and increasingly growing care towards conforming with the ever more demanding international regulations. A very positive situation that allows the company to stand out as a supplier of the most important local and multinational companies on the market. Fanzhi Pharmacy, of which we met Jin Chun, the General Manager, is a company specializing in producing extracted licorice products, with three important production sites in the country. The company works according to strict GMP standards, thus with important investments made in cutting-edge technology. It can boast a rapidly expanding presence on the market, with 80 percent of its production dedicated to exports, thus with very interesting growth prospects. Also the fine chemicals manufacturer Qingzhou Ailitong Chemicals, a leader in the production of preservatives for the cosmetic industry and other sectors, through the words of David Liang, Vice General Manager for Sales, confirms a very interesting development phase for the company, showing very important achievements for a business that was started only a few years ago, results that are backed up by the rapid expansion the company is experiencing in other markets as well. The attendance by many European companies is the evidence of the interest Europe has for Asian markets, especially China. The Chinese market has become most important for Evonik. Having been on the market for many years, the German company is developing very rapidly in the Far East, with local production sites for chemicals that cover all the most important chemistry sectors, from pharmaceuticals to agrichemicals, rubbers, and more. Among the very diversified production, Evonik can boast a long tradition in the production of personal care products. China is becoming one of the most interesting markets for Evonik due to the important prospects foreseen (the demand for personal care products is becoming ever more sophisticated, with men care products, for example, that are increasingly attracting the younger segments of the population). China is not the only market for Evonik though. The company is doing intensive research and development to cover the rest of the south-eastern Asiatic area. In short, research, production and technical assistance in the best tradition of the German company. Though the world

economic prospects are not very encouraging, Evonik continues to see China as a profitable market. We then met Silab, in the person of Jean Philippe Cosson. Among the European companies attending the event, Silab certainly stands out for excellence for its strong technology-based activities. Silab makes natural active ingredients through an approach that looks at safety and efficacy in order to obtain the best from nature. Regardless of the crisis, Silab is experiencing significant growth on international markets and is making major investments to grow business further. The presence of Silab in China reflects the French company's attitude to operate in a diffused and widespread manner on those markets demanding for immediate action and responses. For instance, the many beauty salons spread all over the country have millions of customers and an impressively large number of cosmetic companies supplying them – the Guangzhou area is a fine and leading example of this business. Beauty salons are in constant need of quality products, especially today that Chinese consumers are building their awareness towards quality, hence they need a constant supply of these products. Silab is moving directly on this market with a diffused sales organization and technical assistance service. Silab was presenting Glyco repair at PCHI 2009. VIVIMED: a voice from India. VIVIMED's story is very interesting. The company was founded in India in 1990 as a bulk chemical manufacturing unit dedicated to Synthetic Organic Chemistry and, in time, has been able to build a solid position in the Home and Personal Care and the Pharma businesses. VIVIMED makes APIs and supplies products for oncological applications, thus it needed to grow a structure providing very high research and production quality standards. As regards our scope, Vivimed can boast a widespread international distribution of a broad range of sun care, skin care and oral care products. Since last year, the Hyderabad-based company has very much strengthened its position in the cosmetic industry through the acquisition of James Robinson, a UK company with a long and qualified tradition in the supply of hair care dyes. But the acquisition of James Robinson has significantly consolidated VIVIMED's presence on the market. At PCHI 2009 Vivimed presented a new whitener and an anti wrinkle compound. Products that have excellent prospects for development in China, where Vivimed has been present for six years, as well as in the rest of the Asian market. Speaking of Australia, we met INGREDIENT PLUS, a distributor for Australia and New Zealand with a consolidated presence in Asia. Within our scope, we look at their business in China, a country where Ingredient Plus has been developing distribution based on the direct presence of logistics structures on the territory and featuring a strong flexibility in the supply of specialty products for personal care and other industries. Ingredient Plus has grown in the country thanks to the increasing demand for specialty products, the increased care and attention towards toxicological aspects and conformity to international regulations. The performance of Ingredient Plus in the country comes as a confirmation of the strategic importance of China in the Asian market and of the increasing demand for quality products by what is considered to remain a rapidly growing market for the years to come.



FROM THE MIDDLE EAST

An important Middle East representative attending the event was certainly SABIC (Saudi Basic Industries Corporation), founded in 1976 and today a leading company worldwide in the production of chemicals, fertilizers, plastics, metals. Thanks to the careful integration of a strong supply of strategic raw materials upstream, SABIC boasts leading positions all over the world as a supplier of chemicals for the automotive industry, plastics, packaging, and can offer a broad range of basic chemicals. Due to its own availability of feedstocks from integration upstream, in order to diversify and develop business further, Sabic has decided to build a plant for the production of ethoxylated alcohols for the home care and consumer care markets. The production plant will be ready within 2010 and the first output available for sale is expected within 2011. The presence of Sabic production sites all over the world, thus their high stock availability, will lead Sabic products to be supplied to basically any market. Sabic is currently in a pre-marketing phase and attending PCHI 2009 is a step in the preparation work for entering the Chinese market, a major target for the company. As we mentioned earlier, being Sabic a major manufacturer of surfactants, we expect it to become a leading company in Home Care as well, a most strategic and interesting sector for the Riyadh-based company.

CONCLUSION: CHINA AS A PRIMARY DRIVER FOR ASIA AND MORE?

PCHI 2009 has provided significant elements for further considerations to be made. Personal Care, Cosmetics and Home Care sectors have certainly been impacted by the crisis, yet their growth has increased further. The products are necessary goods for consumers, and will always account for an important part of their shopping basket. For obvious reasons, the Chinese market is experiencing a slowdown, yet certainly not a recession. The medium-level class in China, which we had already reported on last year, demands for products with a certain quality, and will continue to do so. Market, investment and trading opportunities remain notable. The technological expertise and potential of the country is rapidly growing, as well as a rapidly expanding culture

towards innovation, also for the more sensitive segments of our sector, such as care for the environment, conformity with international regulations, sustainable development. PCHI 2009 confirms its role as a leading event in the sector. All the comments we managed to collect, from the companies we interviewed as well as from the other exhibitors and attendees, local and foreign, went in the same direction in confirming the importance of this event for the local market, as well as for the entire Asian market. Positive prospects that open up new horizons for development for all the operators of the sector as well as for the event organizers within this area, which forecasts tell will become ever more promising. As we all long for the signs of global recovery to show, perhaps with a bit of anxiety and fear for the future, let's learn from the last positive element we would like to report about PCHI 2009 and that we were glad to notice amongst the majority of the attendees: a good deal of optimism, at last.

PCHI

Personal Care and Homecare Ingredients
Shanghai 10-12 March 2010
Everbright Convention & Exhibition Center

- GAIN** access to China's US\$15 billion C&T market by forging strategic alliances with key decision makers at PCHI
- SOURCE** for quality ingredients from China's top manufacturers and global suppliers
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