

# Open your eyes to China

What's happening in the pest management industry in China? Is it a land of opportunity, or a place where you're likely to get your fingers burned? International business strategy expert Rob Fryatt from Xenex Associates asks what China means to you?

The Bird's Nest stadium from the 2008 Olympics – the first iconic symbol of the 21st century? The Great Wall – reputedly the only man-made structure visible from space? or, the nation which comprises 20% of the world's population – a staggering 1.2 billion people? All these things are China and more...

Is China a country, or is it a continent? It stretches from the frozen Mongolian Steppe to the tropical holiday island of Hainan. It is much more like a federation of states with a shared ideology.

Whatever it means to you, there is no doubting its future. Only just into 2010, and already it is claimed that China is the world's second largest exporter, overhauling Germany. And almost the world's second largest economy – poised to overtake Japan. Yet with an economy that continues to grow at over 10% each year – as it has done quietly every year for the last 15.

So with all this hype and all these BIG numbers what is happening in the pest management industry? Will this affect your business in the future?

I have been visiting China on business regularly over the last 15 years, and each time I'm amazed by its progress. The continually changing vista as buildings are torn-down and replaced in a way we in the UK could never conceive. Imagine the scenario – Oxford Street in London entirely bulldozed in a month and then six months later a Canary Wharf to replace it. There certainly used to be nine

million bicycles in Beijing. But if that were the case today, there would be nine million road traffic accidents as the nine million cars driven by the newly affluent Chinese mowed them down. This is the speed of change in China. With it comes a new level of affluence that should make us think about the future.

## A new level of affluence

When I first visited China, all pest control was managed by the state. Products were produced in numbered government production units, such as the Wuhan Chemical Factory Number 17. The products were allocated, district by district, to the 'party member' responsible to the Resident's Committee who instructed each resident of their obligation to control rats or cockroaches – or whichever of the government's four target pests were the focus of the current ten year plan. Today, the China Pest Control Association (CPCA) has over 400 members, out of the registered 1,000+ pest control companies – but that is where the similarity with BPCA or NPTA ends. CPCA is formed by the Ministry of Health and the Ministry of Civil Affairs. Over 50% of the membership comes from government agencies or from government research organisations. As Huang Xiaoyun, the deputy director of the CPCA, says: "The



Quality consumer packaging for glue boards – one of the biggest selling products in China



The author outside the Birds Nest stadium on a cold November day



Two regional pest control companies exhibiting at the FAOPMA event in Beijing

Chinese pest control industry will surely develop. Public hygiene has an important part in the development of our country."

The pest control servicing industry was only opened-up to non-government investment less than five years ago. To date, the only international servicing companies to dip their toes into the water are Rentokil and Ecolab. Compared to them, the local companies such as, Jiangsu Yangnong Chemical, Dalian Sanli Shodoku, Beijing Ansun Teling, Beijing Longhua Hongchang and Wuhan Lifetai Science (literal translations from Mandarin) are the local giants, yet still in most cases, only operating in one city.

## Absorbing and adapting with speed

The quality of service is way below what any European consumer or commercial company would consider acceptable – but then the price paid is much lower too. In a recent discussion with Michel Rampaud, the manager of Bayer Environmental Science based in Beijing, he commented: "Standards of technical training and commercial skills are still low in the leading pest control companies, but the speed at which they are learning is staggering. They are hungry for technology, skills and novel ideas. These they absorb and adapt with amazing speed." Interestingly Michel has been given a Chinese name by his team to make communication easier. He is called Wen Guo Bao.

My latest visit to China was last November for the annual Asian industry regional conference. In Asia they have an international confederation called the Federation of Asian & Oceania Pest Managers Association (FAOPMA) – similar to CEPA, the association for Europe. FAOPMA now comprises ten national industry associations. Each year there is a conference and exhibition which moves around the region. Last November the Chinese association hosted the event – the largest yet. The exhibition was larger than PestEx, with nearly 70 exhibitors. It was certainly good to see some UK-based companies, such as Killgerm and Russell IPM exhibiting and taking their innovative technology to the Chinese market. I am sure they were bombarded by Chinese companies wanting them to sell their own products into the market outside of China. For Chinese companies, price was always their key competitive advantage. This remains true but, increasingly the quality of their goods is moving towards Western standards.

So should the industry be sourcing from China? Probably not yet,

but in the next ten years it might be critical so as to stay competitive. The reality is that, to date, the size of the market for pest management products remains too small for many Chinese manufacturers to consider it a target. The Chinese make no differentiation between consumer and professional markets. They are driven by the quest of volume production to meet the demands of the ever affluent Chinese consumer. Distributors have not, and may never, reach the high professional standards we have in Europe. Indeed, to the Chinese a distributor is just that – a trader supplying a product – not a skilled trainer, an innovator, a supporter of industry initiatives, and especially not a manufacturer.

## Opportunities, yes but caution required

Today it is clear the pest control industry wishes to raise its standards towards our expected levels. But their cost base will remain low. There is an opportunity for manufactures to supply the market, but they require caution, good advice and a clear understanding of the culture and cultural practice they will be dealing with. There is considerable demand for 'upskilling' and a great need to train and develop a broadly young and inexperienced workforce – another opportunity for British companies. If you have the skills and the products, China will welcome you. Your eyes will be opened to the future super-power. Then you too will understand how China could, in the future, impact on all our lives.



Rob Fryatt and Jackson Chan (third left) of Top Chemical from Hong Kong pictured with the Directors of Beijing Longhua, the largest pest control company in Beijing