

COMPANIES

INSPECTING ASIA

A French businessman's quality control operation is keeping clients happy across time zones

■ QING JIE

China has turned out to be the Promised Land for Sebastien Breteau.

He started his entrepreneurial career in Hong Kong in 1996, set up quality control company AsiaInspection in Shenzhen in 2002 and won the SME (small and medium enterprise) China Prize in 2006 for the company's 10-fold turnover growth during the last four years.

"I was fortunate to choose China," says the CEO and founder of the on-line production inspection and factory audits firm. "China, being the world's workshop, and soon to become a competitive research and development (R&D) centre, is a land of great opportunity for anybody willing to move here and overcome the lifestyle differences."

As a Frenchman with an engineering and business background, Breteau shares his time between Europe and Asia, and has expanded his business from South China's Guangdong Province to elsewhere in Asia and on to European nations including Spain, Germany, Italy and his homeland, France.

Key to success

Breteau came to China in the late 1990s, a decade after China's opening up, during a period of market-oriented reforms.

"Everything is very efficient here, especially in the business environment, including administration, banks, and telecommunication companies," he says. "I like to give the example of our office in Paris which took 10 months and 120,000 euros to refurbish while our 350 square-metre office in Shenzhen took only 20 days and 12,000 euros."

China's market is going through a period of standardization, while quality control demands are ever increasing. So far, there are no official statistics on the size of China's quality control market, but insiders say it is worth tens of billions of yuan.

The SME, with turnover of \$12 million this year, employs 200 inspectors and has more than 500 clients worldwide so far. It is expecting to expand sales to \$16 million next year, with the number of inspectors reaching 350 and clients growing to 700.

Breteau appreciates having Chinese employees, who are "well-educated, hard-working and able



to show a real humanity in their relationship with colleagues.

"A cross-cultural vision within the company has helped to get the best from our local employees while sharing and applying our Western management style," he says.

According to Florence Gomez, general manager of the French Chamber of Commerce and Industry in China (CCIFC), respecting local culture and encouraging collaboration amongst staff worldwide, through on-line platforms and e-learning systems, has been a key value for AsiaInspection since the company's inception.

"The importance of this 'double culture' is strongly reflected in the company's blog: www.chiefasiainspector.com," she says.

The CEO writes the blog himself, having started it as a way to respond to practical questions and separate fact from fiction when viewing China from the West. It has become a bridge between Chinese and Western staff in the company and a window for foreigners to understand China via a Frenchman's own business and life experience here.

Breteau also attributes AsiaInspection's success to its leading technologies and IT platform.

"There are no competitors in China's quality control sector, given our self-developed world leading technologies, unique 24-hour-day and seven-day-a-

week on-line operation model," he says.

So far, the company's services include pre-shipment inspections, factory audits, social audits, during-production checks, initial production checks, container-loading checks and laboratory testing.

First, a client, anywhere in the world, even with a 12-hour time difference, can still manage his inspections and audits in real time, amending his orders, adding instructions for the inspector and approving or rejecting the reports, the CEO says.

"Then, our inspectors receive before each inspection by e-mail a full instruction checklist, generated by our system, based on the client's input and our quality supervisors thoughts," he says.

So if the client inputs online "Please take a picture of this specific machine," he can be 100 per cent sure that this will actually appear in the inspector's instruction protocol, and that it will be reflected in his final report.

Support for SMEs

CCIFC's Gomez indicates that, like AsiaInspection, French SMEs can claim a place in China, given the energetic market and vast opportunities here.

The chamber is making efforts to encourage and help French SMEs carry out their business in China, granting AsiaInspection the 2006 SME China Prize for both its outstanding turnover growth and its cross-cultural vision.

"AsiaInspection is a good example for our SMEs, who are becoming more and more

interested in China," says Gomez.

Sources from the French embassy revealed that French investment in China has increased fourfold in the past 10 years, with about 600 French companies doing business here.

In 2005, the CCIFC welcomed 250 SMEs on fact finding missions, assisting companies from the same sector or from the same French region to discover the Chinese market.

The business promotion organization has drafted a three-year SME-support action plan, the core components of which are to match French offerings with Chinese needs and disseminate information on how French companies can invest in or procure goods from China. It also offers tips on doing business in the world's fast growing major economy.

"We have done a lot, but one area that we do not do well enough is grasping the needs of the Chinese economy, as it can be very difficult to get accurate information," says Gomez.

Starting in January, CCIFC will visit French companies and local governments in Hubei, Sichuan, Shandong and Liaoning provinces, where many French companies have established operations.

They will try to understand the progress and difficulties French firms experience there, talk with government officials about how French companies can establish their businesses, and determine local needs.

"We hope China will be the Promised Land for more of our SMEs," adds Gomez.

INFO BOX

► 2002: Opens Shenzhen office

► 2003: Official launch of AsiaInspection.com website

► 2004: Launch of greater Asia operations in India, Bangladesh, Pakistan, Indonesia, Philippines, South Korea, Thailand, Vietnam, Malaysia, Turkey and Taiwan

► 2006: Launch of French, Spanish, German and Italian versions of AsiaInspection.com and chiefasiainspector.com .blog

Fresh launch

Kimberly-Clark is bringing Kotex back to China and this time they are bringing their premium products

■ DING QINGFEN

The number 12 is symbolic, representing an end to something, and a starting point for something new.

There are 12 months in a year from January to December. Chinese identify a 12-year-period as a life circle, using 12 symbolic animals to denote the year of a person's birth.

And the 12-year-circle rings particularly true for Kimberly-Clark's business in China.

After entering China 12 years ago, the world's top maker of personal paper products is expecting another round of fresh business when it introduces all its premier categories to the market.

In November 2005, Errol W. Plowman, chairman of Kimberly-Clark Co Ltd China, announced the re-entry of Kotex into China. Kimberly-Clark's premier three brands — Kotex sanitary pads, Kleenex paper tissues, and Huggies nappies — have all been launched here.

"This is a memorable and exciting time," says Plowman.

Insiders know what he means. Kotex isn't new to local consumers. In 1994 when Kimberly-Clark made its first foray into China, Kotex was the first brand it introduced, followed by Huggies and Kleenex.

But the well-known brand, a major player in the United States, Europe, and South Korea's high-end markets, had seen dim business in China for years.

In 2002, Kimberly-Clark decided to withdraw Kotex from China, turning its focus to developing a local sanitary pad called Comfort & Beauty, which it acquired in 1994.

"Now is a perfect time to reintroduce Kotex," says Stephen Shao, the company's China president. "It will bring Kimberly-Clark's local business up to a much higher level."

For a long time, China's women sanitary producers have been suffering from heated price wars caused by the hundreds of low-end brands. This was one reason forcing high-end Kotex to flee China in 2002. But the growing consumer needs and rising disposable incomes in recent years have seen a recovery of the high-end market, inspiring foreign brands like P&G's Whisper, Johnson & Johnson's Stayfree, and Unicharm's Sofie to launch.

In 2005, consumption of sanitary pads in China reached almost 40 billion yuan, increasing by 3.9 per cent year-on-year. The penetration climbed to 61.4 per cent from two per cent in 1985. In China, market share of high-end brands is 30 per cent, but it's as high as 65 per cent in major cities like Beijing, Shanghai, and Guangzhou.

"We expect Kotex to become a leader in China. We understand the challenges and competitive environment, but we believe we can make it," says Plowman.

"The big difference between China and the other regions is its dynamism. It's difficult to succeed here," says Shao, who has worked in Kimberly-Clark China for 10 years.

The biggest challenge for Kimberly-Clark here is distribution. "It's a challenge for everyone, everyone is evolving their model. Ours is to focus and dominate, with premium products and categories in major cities," says Plowman.

Introduced into China in 1996 and 1997, Kleenex and Huggies both

target the high-end market, as they do around the world, selling well.

"It's really good to see them gain dominant position in China and good reputation," says Shao.

And he's not exaggerating. Kimberly-Clark's local sales covering Kleenex, Huggies and Shunxilan (a new brand which replaced Comfort & Beauty in 2002) have seen an annual growth rate of more than 40 per cent. Kleenex and Huggies are among the top three selling brands in major cities.

Insiders have been expecting Kimberly-Clark to abandon China, where its performance was fairly poor until 2002, but it kept investing, having injected 2 billion yuan by 2002. It has factories in Beijing, Shanghai, Guangzhou, and Nanjing.

Rejuvenating Comfort & Beauty

Kotex is also returning back at a time when Kimberly-Clark has just successfully transformed low-end brand Comfort & Beauty into higher-end brand Shunxilan.

In 1994, Kimberly-Clark bought the well-known local band for tens of millions of US dollars. The original purpose was to help promote Kotex's business by using of Comfort & Beauty's networks.

But its plans turned out to be wishful thinking. Comfort & Beauty's distribution channels in secondary cities proved unsuitable for Kotex, which was aimed at major cities.

This resulted in stagnant business for Kotex and declining market share for Comfort & Beauty.

"It was too early to bring Kotex into China at that time, and we had to decide which brand to develop first," says Plowman.

From 1997, Kimberly-Clark began to focus on the local brand, conducting a transformation programme. In 2002, it launched new high-end brand Shunxilan, replacing Comfort & Beauty, and withdrawing Kotex from China.

Over the past years, Shunxilan has grown into a popular brand in Chinese stores and markets.

"There are many cases of international companies acquiring Chinese companies, but few succeed in rejuvenating the local counterparts," says Plowman.

Now, Shunxilan is in a position to help Kotex expand distribution channels, which makes the executives believe it's high time to relaunch Kotex.

Brand awareness

For Kimberly-Clark, the launch is only a starting point, and the pressing task should be promoting its brand awareness.

Plowman agrees: "We have to build up a corporate identity in China, a stronger, unified presence."

Different from consumers in other regions, Chinese consumers are more company-sensitive than quality-sensitive. "From what I learn here, if they have trust and confidence in a company, they will probably buy whatever new products labelled with its logo," says Plowman.

He says a unified brand identity is what Kimberly-Clark lacks. "Supposed you ask shoppers on Wangfujing Avenue in Beijing whether they know P&G, more than five out of 10 would say yes. But if you ask about Kimberly-Clark it would be far fewer, although they could be very familiar with Huggies, or Kleenex."

"We have to change that, we need to educate consumers about us."

China ... is a land of great opportunity for anybody willing to move here and overcome the lifestyle differences.

SEBASTIEN BRETEAU
CEO of AsiaInspection



East meets fur

A leading Danish fur company looks east as China's designers pile on the pelts

■ JIANG JINGJING

Designers at one Danish fur company describe their everyday work as "playing."

They play with mink, chinchilla and fox skins. As a fabric, they believe fur should no longer be limited to heavy overcoats but could be everywhere in the fashion world.

The designers at Copenhagen Fur trim fur on dresses, trousers, handbags, necklaces, cell phone pouches, notebooks — even bikinis.

And the trend is catching on in China, which has become the world's largest fur apparel manufacturing base, says Heidi Nyby, retail marketing manager of Copenhagen Fur.

With fur back in fashion, sales at the world's largest fur auction house — Copenhagen Fur's Fur Centre — rose to 5.2 billion Danish kroner (\$893 million) in the first three quarters of 2006, with 80 per cent of the revenues coming from China.

At each auction, Chinese make up around two-thirds of the bidders, says Nyby.

The Chinese bidders represent both domestic and international markets. Chinese apparel firms have

improved dramatically over the past decade, from simply processing an order or imitating others to designing and innovating, Nyby says.

"Especially the young generation of Chinese designers have a real passion for fur in their designs," she said. "The Chinese market can no longer be ignored. It is becoming as important as Europe and the United States."

Kopenhagen Fur holds auction sessions five times a year, selling some 17 million mink skins — half the world's annual output — along with other animal skins, with a turnover of more than \$728 million in 2005.

Targeting China's emerging market, Copenhagen Fur is not satisfied with only selling skins. Nyby believes providing more technical and design support to clients is critical for the firm's long-term growth and the entire fur business world.

The firm launched its Copenhagen Studio in May 2006, to demonstrate the innovative uses of fur to its clients.

At the studio, international designers, fashion houses, trend researchers and other creative people run workshops, seminars and a wide range of other activities.

The studio includes a showroom with a permanent exhibition featuring the latest fur developments, as well as examples of the best and most creative fur products on the market.

"Chinese manufacturers are especially welcome," says Nyby.

The Purple Club

Currently the company is focusing on promoting to China its Purple Club products, made with its highest quality fur. So far, there are six Purple Club member boutiques in China — leading domestic evening gown brand NE-Tiger has boutiques in Beijing, Harbin, Shanghai, Qingdao and Urumqi — and Italian fur fashion house Henry Fischer has one store in Shanghai.

Kopenhagen Fur offers four different coloured labels which represent four different quality standards. Purple is the highest quality, then Copenhagen Platinum, Copenhagen Burgundy and Copenhagen Ivory.

Up to 100 boutiques in 27 countries have been offered Purple Club membership.

"As a Purple Club member, we use Purple quality skins for the garments. Membership means international recognition and a

guarantee of high quality," says Zhang Zhifeng, founder and creative director of NE-Tiger.

In 2005, NE-Tiger became the first Chinese member of the Purple Club. Accession to the club followed 10 years of partnership with Copenhagen Fur.

The Italian-based fur company Henry Fischer made its debut in China at the 2006 Shanghai Fashion Week. The company recently rented a villa on Shanghai's high street, Hengshan Road, which it has turned into a 200-square-metre boutique, says David Fischer. The grandson of the brand founder is in charge of the business's development in China.

"We will open another store in Beijing, if the business goes well in Shanghai," says Fischer.

Fischer says he can sell fur products in three seasons — spring, winter and autumn. In summer, he will display his creative ideas for fur garments, including bikinis.

Henry Fischer overcoats sell at prices ranging from 50,000 yuan to 200,000 yuan.

The world has displayed an evident fondness for dressing up in mink, fox and other types of fur over the past five years.



According to the International Fur Trade Federation, sales of fur and fur accessories worldwide reached \$12.8 billion in 2005, up 7.9 per cent from 2004 and up a full 28.4 per cent if measured against the year 2000.

Anti-fur movement getting milder

Nyby says the international anti-fur movement has turned milder in recent years, except for in Britain, which has maintained a very firm stance against fur products.

The world's major markets, such as the United States, the European continent and Asia, have become more welcoming to fur. In China, the situation is even easier than those Western nations, Nyby says.

The company claims that it makes a lot of effort to protect animal welfare. It says it has researched and invested in the best possible conditions for its animals for decades, even bringing them toys.