

# Ecolab CEO: Alluring market and business environment

## Water treatment giant taps potential of Sichuan capital

By LI FUSHENG  
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Douglas Baker Jr, Ecolab's chairman and CEO, has a "quite favorable" first impression of Chengdu, capital of Southwest China's Sichuan province.

"The infrastructure is very good. It has a very large airport. I would also say the driving is fairly easy. I got in here about 7 o'clock last night, but traffic was not difficult."

The 54-year old flew in from

the United States on June 5 for the 2013 Fortune Global Forum underway from June 6 to 8 that has gathered more than 600 participants including CEOs of Fortune Global 500 companies, entrepreneurs, government leaders and scholars.

Baker, though a frequent traveler to China, said it was his first time to visit Chengdu and have not got a chance to see its sights despite his company has made presence in the western city for almost two decades.

"We have had a sales office here since 1995 to serve our customers in western China," said Baker, adding that most of its 40 employees are locally hired.

Headquartered in St. Paul, Minnesota, Ecolab is a global provider of water, hygiene and energy technologies and services to food, energy, health-care, industrial and hospitality markets.

"We are a food safety and water technology company. What we seek are large population centers, large food production centers and certainly that includes Chengdu," said Baker.

"Since Chengdu is a city where a lot of people go out

and it has a culture that takes great pride in its food and hospitality in terms of restaurants and hotels, it is a very natural market for us."

Ecolab's general manager for greater China Wang Tie said the company has tens of thousands of customers in the city ranging from New Hope Group, a Chengdu-based agribusiness operator, to hotels and restaurants.

Despite a relatively small base, he said the city growing faster than most others in China.

"Chengdu is growing at almost double the average growth rate nationwide if you would like to put it in a quantitative way," said Wang, adding

that "we have seen it for quite a while."

Looking to the future, Baker said the city will play an increasingly important role in the company's performance in the Chinese market.

"Chengdu was a priority market for us even before the Fortune Global Forum and it will remain our priority."

He also said his company will continue to invest in the city and fuel its growth because "capitalizing on the west expansion strategy is going to be important."

In addition to sales and service offices, Ecolab has also established a logistics center in Chengdu due to the growing local market and the city's easy



LI FUSHENG / CHINA DAILY  
Douglas Baker Jr, chairman and CEO of Ecolab

access to surrounding regions, said Wang.

"As the hub of western China, from here you can easily go to Chongqing, Xinjiang, or Tibet."

Since establishing itself on the Chinese mainland in 1987, the company has built a series of facilities, mostly in eastern regions.

"We will need more in the future and those will be in the west," said Baker.

## Volvo: New plant shows confidence in Chengdu

By HUANG ZHILING  
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Despite growing competition in the automotive market, Volvo is confident about its development in China, said Lars Danielson, senior vice-president for China operations, in an exclusive interview with China Daily.

Danielson said Chengdu, where the carmaker has its first China plant, is "very important."

"For Volvo Cars, the Chinese automotive market is unique. It has the strongest growth momentum in the world," he said.

In the past few years, some of Volvo's powerful competitors including BMW and Mercedes-Benz have identified the momentum and built facilities in China.

"To have a successful presence in the country, any auto brand must build up its own local manufacturing," Danielson said. "From this perspective, Chengdu is very important to Volvo Cars. We have established our first local plant in Chengdu to better understand and satisfy the demands of the country's consumers."

Volvo now sells about 450,000 cars annually, a number the carmaker projects will grow to 800,000 by 2020.

"The Chinese market is very crucial for Volvo Cars to achieve this strategy. The annual sales volume in the country is around 50,000 units," Danielson said.

"In the first phase, we aim to expand our production capacity (at the Chengdu plant) to 120,000 units and adjust capacity from time to time afterwards," he said.

The plant will begin formal operation in the fourth quarter of this year with the S60L the first locally built model.

Volvo's existing models sold in China are the S series sedans including the S40, S60, and S80L, the XC series including the XC60 and XC90 and the V series including the V60 and V40.

"The V series introduced to the domestic market last year is a combination of a recreational wagon featuring easy control and a multi-purpose vehicle featuring a spacious interior. They are the best selling Volvo products on the global market," Danielson said.

He said Volvo continues to maintain its low-profile Scandinavian luxury and has unique advantages in environmental protection.

"Even by EU criteria, the Chengdu plant reaches a very high standard," he added.

"Take volatile organic compounds for example. Our VOC parameter is quite low — the same level used in our European plants. We also keep a very high standard in wastewater discharge," Danielson said.

He said Volvo did a lot of research before choosing Chengdu as its production site.

The company is quite satisfied because the city has well-developed industries, a rich talent pool, sound infrastructure and is becoming increasingly globalized, he said.



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LARS DANIELSON  
SENIOR VICE-PRESIDENT  
VOLVO CARS



## 'NEW RULES'

FENG YONGBIN / CHINA DAILY

Attentive audience at the "New Rules for Business: Global 500 Leaders Look Ahead" session on June 6, the opening day of the 2013 Fortune Global Forum. Panelists discussed where the global economy is headed, what new trends will generate growth and what strategies Fortune Global 500 leaders are implementing to survive and thrive in the new reality.

Q+A | JOSEPH JIMENEZ

## China to remain top priority for Novartis

Editor's note: On the sidelines of the ongoing Fortune Global Forum, Joseph Jimenez, CEO of Novartis talked with Zhuan Ti from China Daily about the healthcare sector in emerging markets as well as the company's recent development in China.

**I have noticed that you are joining a panel discussion on emerging markets. What is your message for the panel?**

Emerging markets interest me because we're seeing great opportunities for our business. Across emerging markets, rapid growth has expanded the ranks of the middle class. This growth is paired with changes in consumer consumption patterns and lifestyle choices.

For example, in China, increasing uptake of luxury brands is enabling a new standard of living for many. In addition, we're seeing lifestyle changes that increase the incidence of chronic diseases. This action is driving a significant increase in the need for healthcare. At the same time, we are witnessing an increase in life expectancy driven by a better quality of life. As a result, we expect the pharmaceutical industry to generate an estimated 30 percent of its total sales in emerging markets by 2015.

My message for the panel is that Novartis is shifting its center of gravity toward these fast growing markets, particularly China, in order to

drive growth, gain access to broad distribution networks, tap into local market expertise and move a higher volume of medicines to those in need.

**Why does the company have one of its four operation centers in Chengdu?**

As healthcare needs are greatly diverse across China, we've worked to establish our business to cover different regions. Chengdu is our business center for the western region, where healthcare needs are rapidly increasing. With our offices here, we can better serve the population in this area and to the west.

We see continued potential in Chengdu and western China. Chengdu has an effective administrative system, rich talent pool and convenient transportation networks, which are all great resources for business. In addition to Chengdu, we've established offices in Chongqing, Xi'an, Zhengzhou, Kunming and Urumqi. We will continue to grow our presence in these areas.

**How important are the BRICS countries for Novartis' future expansion?**

Emerging markets, including the BRICS nations — Brazil, Russia, India, China and South Africa — are a major part of Novartis' growth strategy. As the aging population and the incidence of chronic disease continue to increase, the need for healthcare will



Joseph Jimenez, CEO of Novartis

grow in tandem. According to IMS Health, spending on health will nearly double over the next several years in emerging markets from \$194 billion in 2011 to at least \$345 billion in 2016.

**How does China fit into Novartis' growth strategy?**

Our growth strategy is to win in this industry by being the best at science-based innovation. This means building a strong pipeline of innovative healthcare therapies to address patient needs. It also means continuously rejuvenating our diverse portfolio. We are focusing on excellent execution of our launch products and on building our presence in emerging markets.

China is a key part of this strategy as this market is expected to grow an estimated

15 to 18 percent annually. In 2012 alone, we increased our sales 24 percent in China and we expect this strong growth trajectory to continue.

**China is set to soon become the second-largest medical market after only the US. What is your goal in the Chinese market in the coming years?**

As the Chinese government prioritizes increasing access to healthcare, we've seen many opportunities to collaborate to improve patient outcomes. In particular, part of the 12th Five Year Plan (2011-15) seeks to provide equal healthcare access to urban and rural residents. The need in these areas is great. There is a serious shortage of healthcare workers in China's rural

areas, with only an estimated 1.3 healthcare workers for every 1,000 people living in rural China.

We're working to tackle this issue, for example, in Xinjiang through our Health Express program. Our activities include training physicians in prevention and treatment of infectious diseases, as well as a healthcare education program for local children and adults. To date, we have reached over 500,000 students and 10,000 adults through trained health educators.

Additionally, in early June I helped kick off a new project that will improve the healthcare system's capacity to deliver better hypertension care and improve cardiovascular outcomes for patients in Xinjiang Uygur autonomous region, where one-third of adults have high blood pressure and less than 10 percent of patients receive proper treatment. This could potentially help people live longer, healthier lives and also reduce costs at the same time.

**What are the next major steps you may take in China? How about in talent training?**

Innovation is a top priority for us in the Chinese market. It's what's going to help us meet the needs of patients across the country. We're investing heavily in the Novartis Institute of Biomedical Research — or CNIBR — in Shanghai, the country's largest R&D center. Research

at CNIBR focuses on gastric cancer and hepatoma, which are indigenous to the Chinese population, and lung cancer, which is the deadliest form of cancer prevalent in China.

CNIBR is also a global center of excellence in epigenetics. Epigenetics allows us to better understand disease mechanisms and to develop new therapies for diseases that lack effective treatments. Epigenetic changes of the genome have been associated with cancers, infectious diseases, neurological disorders, and autoimmune diseases, all of which are very common in Chinese patients. We have advanced 10 novel targets into the discovery pipeline thanks to our epigenetics platform.

In addition to investing in innovation, we're highly focused on fostering local talent in China. At Novartis, almost two-thirds of our talent at CNIBR comes from top Chinese universities or other institutions. We invest a lot of resources into further developing this talent through programs like our Novartis China University that looks to address skills and develop leaders in China. Additionally, I personally champion our LEAD program, which helps senior managers in emerging markets, including China, build new skills and grow their careers at Novartis.

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