



# China's “sleepy old cat” awakes

Hutchison has taken an iconic but ailing Chinese brand of laundry and dishwashing detergents and transformed it into an innovative supplier of trendsetting “green” homecare products. At stake are a bigger share of China’s huge market for daily household necessities and a dream of one day going global with a Chinese national brand.



THE LATE CHINESE LEADER Deng Xiaoping once said it does not matter if a cat is black or white so long as it catches mice. Nothing could be further from the truth in the case of Shanghai-based White Cat. The feline featured in the latest rendering of the famous laundry brand's logo is whiter than ever, after a makeover by Hutchison Whampoa (China) Limited (HWCL).

The new-look White Cat is primed to "catch" sophisticated city homemakers from Mainland China's "golden generation" of 25-to-35 year olds. The veteran brand is also striving to recapture the commanding heights it once occupied in the Mainland's household detergent market, which this year is worth an estimated USD8.3 billion (HKD65 billion), according to independent research company Datamonitor.

The manufacturers of White Cat pioneered the use of concentrated laundry powder in the Mainland nearly 50 years ago. Later, the company was among the first to produce liquid laundry detergent and the first to offer dishwashing liquid. In 2006, HWCL acquired 80 per cent of the state-owned enterprise behind White Cat, establishing the Shanghai Hutchison Whitecat Company Ltd (SHWC).

The White Cat brand was extraordinarily well known, with about 90 per cent recognition even in remote regions of the Mainland. It had also received prestigious awards over the years for branding and sales. But it had fallen behind the times. "It had become a sleepy old cat while its competitors were wide awake," said SHWC's General Manager Thomas Tsiang.

By 2008, White Cat's share of China's market for household detergent products – while still a business worth RMB7.7 billion (then about USD0.87 billion) a year for the enterprise – had declined to less than 15 per cent, according to Datamonitor. "White Cat had almost lost its 'voice' in the market," Mr Tsiang commented. "Our first challenge was to give the brand a facelift."

The task involved far more than a cosmetic nip, tuck and trimming of whiskers.

HWCL Managing Director Simon To, who is also Chairman of the joint venture, recalls that his team had to start from scratch after buying into White Cat. "We had to revamp the whole product line, the whole management organisation, the manufacturing side of the operation, the research and development organisation and the whole sales organisation."

The trail that led HWCL to White Cat started in 1988 when US consumer goods

giant Procter & Gamble sought Hutchison's help to enter the Mainland market. "Our partnership with them in China's fast moving consumer goods (FMCG) sector was so successful that they became the largest consumer product company there," said Mr To.

In 2004, Procter & Gamble decided to buy back its entire interest from Hutchison for HKD16 billion. "Having made so much money from the FMCG business, I wanted to see if we could buy a brand for ourselves in the Mainland and repeat the success we'd had with Procter & Gamble," Mr To said. "The White Cat opportunity came along."

When the Mainland opened its doors wider in the 1990s to imports from multinational corporations, White Cat was among many casualties from the state-owned sector. The newcomers had huge advertising budgets for building brand awareness while White Cat invested little in its own brand profile and distribution. White Cat also suffered from the rise of private Mainland entrepreneurs who aggressively entered the market with laundry detergents of their own.

Revamping the enterprise that owned White Cat was lengthy, costly and at times painful, according to Mr To. It involved closure of inefficient plants and the retrenching of some 4,000 employees, many of whom had been there for decades. Moreover, there was no road map to follow as few – if any – other overseas investors had successfully taken over and transformed a Chinese state-owned enterprise.

"But this has always been the way Hutchison China has been successful," maintained Mr To. "We're always a pioneer or a trailblazer." He added that he was fortunate to have a strong team of loyal, committed executives who had been with Hutchison China for 20 or 30 years. He rotated them in and out of demanding stints at White Cat's head office in Shanghai. "They all have the same belief that if we work hard at a challenge and treat it as if it were our own business, we will solve the problem."

HWCL also received strong financial support from the Hutchison Group in Hong Kong as well as from the





White Cat's products before its makeover.

commission in Beijing that oversees state-owned assets and welcomed Hutchison's involvement in resuscitating the White Cat brand and business.

A big "plus" was that the White Cat brand had such a strong heritage, according to Mr Tsiang. "People had been using White Cat for generations. It is a trusted national brand that everyone's grandma still uses. It is also almost a matter of national pride that White Cat is still around. Additionally, White Cat is strongly associated with sophisticated Shanghai, which is at the forefront of fashion, quality and higher living standards."

For the new brand image and visuals, HWCL engaged the same international design agency that supports Hutchison retail subsidiary Watsons. In addition to revamping the logo, the agency came up with cute cat-shaped bottles. "It gives us a lot of differentiation on the shelf," said Mr To. "Breaking through the clutter is essential when you're dealing with a functional, commoditised product in a saturated market."

White Cat has also benefitted from other Hutchison synergies. Hutchison China Commerce, one of the largest and most influential FMCG distributors in the Mainland, now handles sales, distribution and logistics for White Cat's expanding portfolio of laundry, dishwashing and household cleaning products.

A re-launch masterstroke was to secure the right to supply all products for cleaning bathrooms, dining facilities and public areas at Shanghai's World Expo 2010, for which White Cat was the cleaning products project sponsor. Most recently, the resurgent White Cat was recognised as one of "China's Top 10 New and Upcoming Brands", under a scheme organised by the National Cleaning Association.

Efforts are already paying off. Sales are up about 60 per cent over the same period last year. "There is hope that we are finally turning around this old brand," said Mr To. "Maybe we are about one-third of the way there."

As White Cat pads confidently back up the chart of China's top laundry brands, it also moves HWCL closer to pursuing a grander vision. "Our long-term dream is to take our Chinese consumer products overseas, leveraging the Hutchison Group's global retail network," said Mr To.

He noted that Hutchison China was already evolving a product range – from homecare to personal care – that in years to come might see it emerge as "a Chinese Johnson & Johnson". In addition to White Cat's home care products, HWCL has MediTech ("Chi-Med"), a pharmaceutical and healthcare group, which, in turn, has a joint venture with New York-based Hain Celestial Group selling natural, organic health products.

"If we were to succeed at making White Cat and Hutchison China Commerce a significant FMCG company, together with Chi-Med for the health care sector, we would have all the elements of something that could go global," Mr To said.

"Everything is possible when you reach a certain critical mass. Without big dreams, nothing can happen. We have to set our sights high and work towards them."

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# Leading scientists engineer a cleaning revolution

Zhang Lei, Head of Research and Development at Shanghai Hutchison Whitecat Company Ltd, oversees the ultimate “Chinese laundry”. It is housed in a spacious laboratory where Ms Zhang and her 42-strong team of chemical engineers strive to improve laundry detergents and other cleaning aids, as well as to make them more eco-friendly.

Washing machines churn day and night at the Shanghai facility as new formulations are put to the test both on textiles and dishes soiled with every imaginable stain. While most consumers take humble cleaning products for granted, perfecting them is a serious science. In addition to this, the scientists at White Cat have an illustrious history of more than six decades to live up to.

The Shanghai Yongxing Chemical Industry Co Ltd, as it was known when established in 1948, was China’s first factory to manufacture powdered laundry detergent. In addition to introducing concentrated laundry powder in the Mainland, the state-owned enterprise was also the first to launch an aerosol cuff and collar spot cleaner; liquid laundry detergent for silk and wool, and household and fabric bleach.

In 2001, Ms Zhang’s unit was recognised by the Chinese government as a nationally-important centre of research and development. It holds 16 national patents for laundry and cleaning formulations, plus many more for packaging.

Today, Ms Zhang and her team are in a technology race to develop laundry products that can turn clothes into anti-bacterial shields; permeate fibres with long-lasting fragrances and progressively coat fabric with stain-releasing nano-particles.



The company has launched one of China’s first anti-bacterial dishwashing liquids and a fabric softener with long lasting, fresh fragrance. The coating technology is already used in White Cat’s window cleaning product.

To develop its new fabric softener, White Cat became the first laundry brand in China to cooperate with New York-based International Flavors & Fragrances, Inc (IFF), a global industry leader in its field.

“When you move, you can still smell the special fragrance in your clothes months later,” said Ms Zhang. White Cat has also worked with IFF on the use of food grade fragrances in dishwashing liquid. “As a brand we are trusted for developing products that are safe for consumers to use on their eating utensils. Our liquid detergents are also mild on the skin, even for those with allergies.”

White Cat places strong emphasis on being “green”. “All our raw materials must be phosphate free and biodegradable to prevent pollution of water supplies and lakes,” said Ms Zhang. “Decades ago all washing powders contained phosphate. Now all of White Cat’s powders, as well as its other household detergents are phosphate free and biodegradable.” White Cat’s specially formulated concentrated detergents also help to reduce water consumption in a water-stressed nation.

“We are an innovative brand supported by a strong research and development team,” said Ms Zhang. “Our scientists and engineers graduated from the best universities all over China,” she added with pride. “We aim to advance the cleaning capabilities of all our products, whilst simultaneously protecting the environment.” 

