



Chems industry must respond to changing demographics - Hodges

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BERLIN (ICIS)--The chemical industry is so far not catering to a shifting marketplace, due to a fundamental misunderstanding of demographics in a changing world, a leading consultant said on Wednesday.

Speaking at the 11th World Aromatics & Derivatives Conference in Berlin, Germany, Paul Hodges, chairman of UK-based International eChem, stressed the importance of changing demographics in key markets and the potential for the petrochemical industry to capitalise on them.

"Demographics drive demand," said Hodges. "But a wrong diagnosis means we will misunderstand the opportunities."

Hodges cited the example of China, where analysts have talked about a rising middle class but which is still a market where 96% of the population earn less than \$20 (€16) a day.

"China's real achievement is that in 1990, 60% of the population was below the poverty line. These days it is closer to 6%," he explained. "But it is still a poor country. The average annual wage is less than \$4,000. This is not middle class."

Hodges also talked about a "health explosion" as opposed to a population explosion: "There is a growing elderly population due to higher life expectancy and 10 million less births per year," he said, citing United Nations statistics.

"And there are no products or services for these people. The babyboom generation is now ageing, causing major changes in western demand patterns."

Elsewhere, Hodges used the acronym VUCA to describe the current economic landscape and its inherent challenges: Volatility, Uncertainty, Complexity and Ambiguity.

High frequency speculative trading has led to much sharper swings in financial markets, while uncertainty surrounding future demand levels impact business and consumer confidence.

Interest rates have become more complex, as ageing "baby boomers" worry about return of capital rather than return on capital. Decision-making has also become more ambiguous, as political and social factors rival economics.

Hodges, who also writes a blog for ICIS, countered this with another interpretation of VUCA: Vision, Understanding, Clarity and Agility.

"Companies need to set themselves measurable goals and ask themselves 'where am I trying to get to?' An understanding of the changes that are underway is also essential," he explained.

Additionally, Hodges stressed that the planning process requires clarity over implementation, while unforeseen events – "the bumps in the road" – will place a premium on agility and being able to adjust to changing circumstances.

By: [Truong Mellor](#)
+44 208 652 3214