

# DAIKIN THE GLOBAL INNOVATOR



Rajesh Nagpal, Country Manager, Daikin Air Conditioning India

Daikin has made its presence in Sri Lanka over a quarter century ago, adding comfort to Sri Lankan lifestyle. As a reputed Japanese air conditioning brand, Daikin has been at the forefront in the industry for a long time, introducing novel products and providing state-of-the-art equipment for commercial, industrial and residential purposes. Daikin aims, through diligent research and development to be energy-efficient, thereby preserving the environment and contributing to reducing the impact of climate change. Rajesh Nagpal, Country Manager, Daikin Air conditioning India, speaks of Daikin's proactive initiatives towards sustaining the environment, its position as a global innovator and its presence in Sri Lanka.

By Roomini Wijayarathne. | Photography Menaka Aravinda.

**Can you elaborate on how Daikin started?**

Daikin had its beginnings in Japan almost a hundred years ago. Centered in Osaka, Japan, it was founded in 1924. Initially, the manufacturing of air conditioning equipment for industrial, commercial and residential purposes was launched. And then Daikin started innovating and refining new technologies that focus on energy efficiency. Therefore, Daikin is credited with many innovations in the HVACR sector (heating, ventilation, air-conditioning, and re- frigeration). Hence we call ourselves a global innovator. Presently we have 65 plants around the world, and our products are sold in over 150 countries.

### **What are Daikin's signature products and inventions?**

We have products for the residential sector, the commercial sector, and the industrial sector. Focusing on energy efficiency, we invented the inverter technology machines. And Daikin launched a range of commercial air conditioning in 1982 called the VRV introducing the world's first use of variable refrigerant flow control. It was patented under Daikin's name as well. It is interesting that other manufacturers in the HVACR sector started the production of similar equipment with the same technology. Recently Daikin produced the world's most balanced re- frigerant, R-32, as of now. It has zero Ozone Depleting Potential (ODP), and significantly reduced global Warming Potential (GWP) than the coolants that are in use at present. Even though we invented it, we have shared the pro- duction rights with other manufacturers as well, in the interest of the planet as this new product aims to preserve the environment. It is also less costly than the earlier products therefore eco- nomically and commercially viable. Even during the production process of the R-32 refrigerant, there is less emission of harmful gases to the environment. People have now seen the benefit of this product.

On the residential side, we have products varying in technology and features to accom- modate the affordability of all consumers. Some people simply require a basic comfort-giving machine. As such we offer the customers a spe- cific product. People who have been using air conditioners for years, they want to upgrade into a product that provides more features, like the ability to remotely control the equipment in the house while traveling, so that the room is air- conditioned for 10 or 15 minutes before they enter. For those who seek novel features, we offer different products.

We also have a wide variety of commercial products. The VRV type air

conditioners are offered as cassettes, air-cooled packages, and water-cooled packages to meet different demands. The best part about us is that we keep the affordability in mind. If people are not able to afford the inverter range, we have the non- inverter range as the best choice. The availability of a wide range is something that is quite unique to Daikin. No other competitor offers the product range that we do. This is what we have been doing since 1924.

Five years ago we inaugurated our R&D Center in Osaka. It is a unique facility with around 4,000 engineers working around the clock to give better products to the customers.

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### **Why should a customer select Daikin?**

We offer a wide range of products that are not available anywhere else. We are the only company which has its own compressor, own refrigerant and own air conditioner. And most- ly we stand out in terms of energy efficiency, co-efficiency of performance, the values and preserving the environment which is a key feature of Daikin. Following the objective to protect the environment, we invent and produce new refrigerants. The R-32 is actually a blessing to the planet since by using this product worldwide, we can prevent any further depletion of the ozone layer, at the same time reducing the global warm- ing effect.

I believe that Daikin as a company is unique in the industry because we research continuously and develop ways and means to offer new features and experiences to the clients and con- sumers, with savings in terms of power. As a result, our products are up-to-date, and com- mercially and economically viable.

Additionally, we give value to our stakehold- ers. Our stakeholders are primarily dealers who represent us in the market, our customers, employees, and independent consultants. In the HVACR industry, customers hire consultants for their projects. And we approach the expert con- sultants and architects, showcase our products to them and how they will benefit the customer. At times we take consultants on factory visits as well, letting them see with their own eyes the kind of system quality, and stringent processes, which Daikin is following to give an

excellent product to the market. The consultants are able to make observation based evaluations of Daikin to serve the customers better.

The hallmark of Daikin is that it is a very flexible organization. In terms of employment, Daikin has never sacked an employee to this date, having been in the industry for almost 100 years. This speaks volumes about Daikin's humbleness. But that does not mean the organization is complacent; we can be very competitive in market performance. Daikin is the costliest brand globally. It is now a 25 billion US dollar company on a global basis.

### **Daikin is environmentally conscious. Can you elaborate on that?**

The invention of R-32 refrigerant is a step in that direction. Earlier we were adapting the technology only internally, but now in the interest of sustaining the planet, we have made the technology available for other HVACR manufacturers as well, for the past three years. They are not required to pay any charge for using the blueprints as well. We have done so in favor of being more environmentally conscious. I believe at present all the product lines for the residential sector have R-32 refrigerants. Now we are in the process of converting our VRV range of air conditioners to R-32. In Japan, there is a 100 percent usage of R-32 refrigerants in all respects. The conversion is now happening in Malaysia, Thailand, and India on a global basis in phases. Awareness programs have to go hand in hand with the transformation as well, as we change from one refrigerant to another refrigerant, it has different characteristics, and we have to impart that knowledge to all our partners. We consider it a success that the United States, which was not willing to change over into R-32 refrigerants have now acknowledged the importance of the product and are switching now. Every year, we conduct awareness programs to disseminate the benefits of R-32 to sustain the environment. Even in Sri Lanka, Ministry of Mahaweli Development and Environment have given incentive for using R-32, promoting and increasing the awareness.

The climate is consistently changing for the worse due to industrialization, urbanization and the root cause is lack of awareness. Various countries who are at the brink of industrializing discharge garbage into the environment. If that process is not controlled, if not managed right now, there will not be a planet left to preserve, let alone to live in. Every year, the average temperature of this planet is being increased by 0.5 to 0.8 degrees Centigrade. Due to this, there is a disastrous melting of glaciers and unpredictable climate changes. Earlier, change

in seasons was more predictable. Now there are so many floods and unseasonable droughts, so many environmental hazards happen all around the world. Even Sri Lanka has experienced an increment in the number of natural hazards that occurred in the recent past. If we do not take precautions at this time and do not preserve what is left of the natural environment, I believe life will be endangered on this planet.

This is just a small step which Daikin has taken because this has the potential to drastically reduce the emission of CO2 in the environment which otherwise increases global warming, and enhances the global warming potential. On the customers' and the users' part, it is only a simple matter of purchase and application, but it takes a considerable amount of effort on our part; a lot goes into research and development, and also into the production and distribution processes. But Daikin considers this a responsibility and a necessity to contribute to enhancing and preserving life, sustaining life on this planet.

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### **Can you talk about your presence in Sri Lanka?**

We entered the Sri Lankan market more than 25 years back. We only made our presence through dealers earlier, but we opened the country office in Sri Lanka three years ago with the aim of enhancing our commitment. We also wish to strengthen our relationship with all the stakeholders.

Many five-star hotels and government hospitals in Sri Lanka are using Daikin products. We supplied the first magnetic chillers in Sri Lanka in 2018 to a massive garment manufacturer. Recently, we delivered our products to the Lotus Tower. They are using our water-cooled VRV. Many institutions in Sri Lanka are using Daikin.

After opening the country office here, we are looking to expand our operations further and enhance our commitment to the country by giving better products, new technology, support and services in terms of after-sales service support. We are looking at the threshold of inflection point where we want just to open up and give a unique experience to the Sri Lankan consumers.

We have also been conducting training programs in Sri Lanka and in other countries as well. Raising awareness on the handling of the products is crucial because each of the equipment that we distribute is unique and it is our responsibility to make our partners aware on how to handle the products, how to charge them and what precautions to take.

In fact, here in Sri Lanka, we have partnered with the Ministry of Mahaweli Development and Environment. We have conducted many seminars including one in which the Secretary of the Ministry of Environment took part and delivered a keynote address.

### **What are your future plans for Sri Lanka?**

Speaking of our plans with the Ministry of Mahaweli Development and Environment, we have now given them a proposal for conducting more training programs and creating more awareness at the grassroots level. We have data on around 2,000 small garage operators. They operate out of their homes, residences and small shops. We are partnering with the Ministry to jointly conduct programs, which enhance their awareness and also upgrade their skills. We have also partnered with the University of Vocational Studies in Ratmalana (UniVoTech). We are currently in the process of opening a Center of Excellence. UniVoTech has given us a small space there, and we are giving them free equipment to set up a fully equipped, high-tech air conditioning laboratory. In most universities, the undergraduates are merely taught theoretically, and when it comes to a real-world scenario, they do not have the practical knowledge to tackle it. To address this issue, we are planning to supply a range of air conditioning equipment like indoor and outdoor VRVs, outdoor ACs, split ACs so that students have the facility to open a machine, observe the internal systems, and do the gas charging by themselves. It would enhance their skills at the elementary level since they can get hands-on training. We have already signed the MOU, and hopefully, within two months the laboratory facility will be ready for the students to use. It has also been decided to acquire our own experts and senior staff to deliver specific lectures for the students in case they need more knowledge than what is already available to them through the facility. At the same time, if UniVoTech is willing, we would also offer internships for students and take them to the production base in India where they can undergo training.

In addition to these initiatives, our main goal is to enhance the experience of the

Sri Lankan customer. We at Daikin have the vision to make the customer happy. Benchmarks keep shifting with time, and in response, we will also sustain the customer through our continuous R&D efforts.

We want to offer better products, not just here in Sri Lanka, but worldwide. Daikin develops better products in terms of features, and in terms of energy efficiency. We are trying to anticipate and understand more about Sri Lankan consumers. It is easier said than done because consumers' choices vary on unpredictable factors. You can never know what they like. That is one of our challenges, I would say, to understand the behavior of the potential and existing customers. Once we are able to do that, we can work backward and create new products to match their expectations. That, I believe, is the identity of Daikin. It is a global innovator. We just want to observe, take feedback, go back and create new products as per your needs and requirements.

*Benchmarks Keep Shifting With Time, And In Response, We Will Also Sustain The Customer Through Our Continuous R&D Efforts.*

### **Can Sri Lanka be a manufacturing base in the future?**

It is a very pertinent opinion to raise. We would like to start a facility in Sri Lanka, but at present, the market volume is still being created and growing. We are looking at the local market, and we actually are open to the idea. We are keen on this initiative, but there are things to be evaluated, like commercial value, the production volume, how many and which countries we will cater to, and the kind of products which are suitable to Sri Lanka. We are looking at Sri Lanka currently in terms of enhancing the experience and increasing the market. If you see the current level of taxes and duties, it is 30 percent of customs duty that the customers themselves are paying. If we are able to bring the cost down significantly by producing locally, it would be a brilliant proposition. If it makes sense to produce locally, why not?



Rajesh Nagpal, Country Manager, Daikin Air Conditioning India

***We Are A Global Innovator. In Our R&D Center, New Technologies, New Equipment, And New Products Come Into Being.***

### **How does Daikin sustain in the industry?**

The key is to remain relevant to the customer. What is unique to Daikin is that we work backward from the point of staying relevant to the customer, whether it is power consumption, whether it is the enhancement of features, whether it is the prompt after sale service and giving comfort to the consumer. Basically, Daikin revolves around the user, customer and their requirements.

If I were to elaborate on why Daikin has been successful in this industry, I would say it is because, number one, we are only focused on one type of service: air conditioning. No other company in the global arena does only air conditioning. Number two, we have our own compressor, own refrigerant and own air conditioner. No other company has this kind of combination. Number three, three percent of our global revenues are invested in R&D. No other company is doing this kind of research and development funding in this arena. Taking all factors into consideration, Daikin is able to give better products to the customer that is more energy efficient, which conserve the environment and have a range of state-



of-the-art features. As for features, we remain specific and relevant to the target segments of customers, lower segment and the upper segment. We also keep changing the features according to the global trends and developments. Our market share is solid, and it only keeps increasing. Daikin has progressed from eight percent growth to ten percent on a global basis.

It is ironical that Daikin being the most expensive brand, it still has more than 50 percent market share of the global market in the HVACR sector. That, I believe, speaks volumes about the Daikin brand. A lot has gone into developing the brand to what it is now. It is not that it has happened by accident. A vast amount of research and development has gone into it as well as massive investment. It helps that Daikin only produces air conditioning equipment; we have a central focus because of that, which is energy resource management in air conditioning.

And we are a global innovator. In our R&D Center, new technologies, new equipment, and new products come into being. And because of that, experts call Daikin an 'Air Specialist.' New challenges are coming up: filtration for example. The filtering of air also is a function of air conditioning. Daikin is coming up with new technologies to contain the pollution of air. Air pollution is a primary concern in industrial cities in developed and developing countries across the world. The challenge we face is to air condition a whole city, not merely a room or a building. Daikin is now focusing on the technology that would enable us to air condition a large area and cleanse the air for the well-being of all living beings. Daikin can achieve this, and in doing so, it will eventually correlate to the preservation of the environment and sustaining the planet, on a large scale.

### **What are the values that Daikin as a company offers to the community?**

There are three main value creations purported by Daikin's CSR, realized by the management of the human resources within the company. Value creation for the earth focuses on reducing the impact of businesses on the environment and also climate change. Towards this end, we intend to raise the environmental performance of products further, make effective use of resources and protect forests while helping to sustain their basic functions. In the value creation for cities, Daikin aims at contributing to solving energy-related issues arising from urbanization. We also wish to support the creation of sustainable cities. This would be achieved by effectively using energy throughout entire buildings and

cities, by building systems for recycling-based societies and by creating new types of energy. Value creation for people as CSR pursues new possibilities for air and contributes to healthy, comfortable lifestyles. Daikin vows to protect people from heatstroke and infectious diseases, to protect people's health from atmospheric pollution, to improve indoor environments to support people's comfortable and affluent lifestyles, and to raise productivity to contribute to economic advancement. The value creation can only be realized by human resource development, which fosters human resources who spur innovation and who spread newly created value around the world. In doing so, Daikin creates jobs, trains highly skilled personnel, contributes to local economic development and creates new products and services that help raise the people's lifestyle conditions.

In its history of more than 90 years, Daikin has never sacked an employee. Also, age has never been an issue to contribute one's services in sustaining and developing the company. In fact, our Chairman is now 72 years old. He celebrated 50 years of service to the company recently. Our people-centered management is evident there. If an employee wishes to contribute even in a small manner to the company, they are allowed to stay in the organization, continue being a part of Daikin. Working within Daikin, you get the impression of working not for a corporate but for a family. It is as natural and comfortable.

***We Wish To Raise Awareness On Sustaining The Environment And Educate People In How Daikin Can Assist In This Regard.***

### **Daikin's future plans?**

For Sri Lanka, especially after the opening of the country office, we are looking to enhance our commitment to the consumer, to our dealers, associates, and partners who have been with us. And to the consultants, we wish to introduce a better, more energy-efficient product with unique features. So all around 360 degrees, we aim to enhance the experience of using an air conditioner in the HVACR arena, introducing new technologies and new features which are relevant to the consumer. We hope to introduce more environmentally friendly products like R-32 so that other manufacturers also would follow suit. We are happy to share what we develop within Daikin in the interest of the planet. So that is where we are at present.

### **What is your personal vision as a part of Daikin?**

My personal vision is first to win the hearts of Sri Lanka and our customers. I wish to enhance their experience in whichever way, be it the product, features, or after-sales service. I want to give them a unique experience; they must feel that they have bought the best product available on the planet. I would have the responsibility to do justice as a global leader after the sale has been made so that the customer remains satisfied throughout the application of the Daikin product into his lifestyle or business. Therefore, everything we do is focused around that, whether it is power consumption, environmental sustainability, or whether it is the after-sales service.

During our initial survey on the Sri Lankan market, the main observations were that there is a low level of awareness on Daikin and that those who knew about it were under the impression that it is an expensive brand without any sort of affordability. We wish to change both these perceptions. We, in fact, offer products for all segments of our customer profile. We intend to make more people aware of Daikin as a Japanese brand, at the same time becoming more affordable to the mass segment of consumers and retaining the same superior quality across all customer segments. Most importantly, we wish to raise awareness on sustaining the environment and educate people in how Daikin can assist in this regard.