

Hempel scouts for new markets

What would the corrosion resistant alloy industry, or end users for that matter, do without distributors. Distributors fill an indispensable gap between the needs of end users and the mills. A particularly interesting distributor is the Hempel Special Metals Group. Therefore *Stainless Steel World* visited Zurich for an interview with Managing Director Mr André Hempel. He explained to us what the group offers the market and extensively described Hempel's business development strategy that definitely goes further than what you would normally expect from a distributor.

Even though, Mr Hempel is quite modest about the group. "Basically we are an international group servicing a wide range of industries with corrosion resistant alloys such as stainless steels, nickel alloys and titanium from a number of locations in Europe. What makes us unique though I like to believe are the very efficient partnerships we have built up with a wide number of suppliers through the years. For example, we are distributor and stockholder of well known and highly reputable companies such as KruppVDM, Deutsche Titan, VSG, Columbus, and Perryman to name just a few."

There is more though Mr Hempel continues. "What we principally try to do is to shorten the distribution channels and make these more efficient in order to reduce the capital employed between production and final use for all parties involved. Therefore we have gathered an in-depth knowledge of

For the Hempel Special Metals Group of companies there is more to being a distributor and stockholder than just selling a piece of stainless steel or titanium. The group consequently tries to provide a made to fit solutions to the customer and pro-actively scouts the market to offer new solutions to old problems. *Stainless Steel World* travelled to Hempel's Switzerland based operation to talk to Managing Director Mr André Hempel who extensively and openly discussed the activities of the group.

what goes on in the industry so we know where we can find materials which exactly fit customer's specifications and supply it just-in-time from our stock. Furthermore we have a wide range of equipment that allows us to prepare materials to the wishes of our customer if the mills are not able to supply them in the required form. In this we try to be complementary to the services a mill has to offer the market. For us at Hempel it is no problem to cut plates into complex shapes. We are quite careful with these activities though I have to say, as we do not want to compete with our customers, we definitely stay away from things such as fabrication activities."

THE GROUP

Hempel Special Metals Group is a newly formed division of F.W. Hempel & Co. Erze und Metalle, Düsseldorf.

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The group generating a turnover of more than 40 million Euro p.a. has three service centres for semi-products and a wire production facility. First of all there is F.W. Hempel & Co. Gesellschaft für Spezial- und Rostfrei-Metalle GmbH which is located in Oberhausen, Germany. Basically this facility consists of a warehouse and service centre with amongst other plasma cutting facilities. The lion's share of the company's turnover of 13 million

Euro, some 70 per cent, is generated by the sale of nickel alloys. Titanium accounts for 25 per cent of the sales while the share of stainless steel is limited but rapidly growing since the company started with the distribution only 12 months ago. Some 25 per cent of the turnover is generated outside of Germany. F.W. Hempel & Co. GmbH is the exclusive stockholder for Krupp-VDM and Deutsche Titan in Germany. The German based company functions

as an expertise centre for the chemical, power generation, and aircraft industries business within the group. Therefore the project management in relation to material selection and sourcing plays an important role in the business development of the company. A good example is the close co-operation between Bayer, Krupp-VDM and Hempel when it comes to major projects. At the start of each project the three get together in order to discuss

and determine strategies to guarantee a proper supply of materials to the contracted fabricators to guarantee no time is wasted because of a malfunctioning supply line. Firth AG is Hempel's Switzerland based operation and is located in Dübendorf near Zurich. Again the facility consists of a warehouse and Hempel's most extensive service centre. The service centre has the ability to cut, to chamfer, to decoil and to level





The aircraft industry is a good example of a demanding industry that has used Hempel's services for many years.

and also has a slitting line. Therefore Firth stocks a wide range of semi-finished products meaning plate, sheet, tubes, wire bars and coiled products. Contrary to Hempel's German operation stainless steels account for some 60 per cent of the 20 million Euro turnover at Firth, 20 per cent is accounted for by special steels and alloys and 20 per cent by titanium. Some 20 per cent of the turnover is generated in an industry that is so typical for Switzerland; the watch industry. Most of the titanium sales go to medical applications. Therefore it should not come as surprise when Mr Hempel states that Hempel's Swiss operation is characterised by a high added value more than a high turnover tonnage wise. Furthermore he remarks that Firth is well positioned to service the construction and architectural market. In fact Firth was one of the first companies in Switzerland to supply titanium facade material for a building. A third company within the Hempel group is Watson Wire Ltd. The company is dedicated to the production of wire and profiles and is located in Rotherham, close to Sheffield in the United Kingdom. The company produces 1600 tons of wire and 400 tons of flat profiles and shapes a year. Watson is specialised in producing small mill quantities with very short lead times at competitive prices in sizes ranging from 0.8-16mm. The company's products find their way to a large variety of applications and industries such as springs, bicycle spokes, weaving wire, belt conveyors, water treatment screens

and a variety of machined parts. Finally, Airco Metals Ltd based in Finchampstead in the United Kingdom is a warehouse dedicated to semi finished titanium, silicon strip and nickel alloy products. The company also serves as Hempel's expertise centre for the electronics industries. Turnover amounts to 2 million Euro of which 40 per cent is realised in the titanium business. Most of the titanium is sold in the form of bars. Silicon strip accounts for 33 per cent and nickel alloys 15 per cent. With these four companies the whole of Europe is covered either directly or through close distribution co-operations in selected countries. The lion's share of business is conducted in Switzerland, Germany and the United Kingdom though with 85 per cent of sales being generated in these countries. Looking at the fields of application, it is obvious that the chemical, construction, medical and watch industry are the main users of Hempel's services. "As you can see our markets are very diversified", Mr Hempel says. "We serve some of the most demanding sectors you can find with our corrosion resistant materials and services. For us this is proof of the confidence our customers have in us and in what we do. Furthermore it keeps our work more than interesting as we are confronted on a daily basis with new problems and challenges. This has led to a truly entrepreneurial spirit within the group and we feel there is actually no request that we cannot handle."

BUSINESS DEVELOPMENT

Instrumental to Hempel's approach to the market is the constant search for further innovations and new fields of application for corrosion resistant alloys. A good example is Hempel's activities in the medical field. Firth decided to focus on this market and has been remarkably successful according to Mr Hempel. Based on many years of experience with the distribution of titanium bars and plates from Timet to the medical industry in Switzerland Firth has enlarged the product range to other alloys such as cobalt-chrome and other semi products such as wire. "Two and a half years ago we established a partnership with Perryman, a dedicated and renowned US producer of titanium wire for example. With the knowledge of the industry and the support of our metallurgist we were able to succeed to get into contact with several major end users in the dental industry which today use the material produced by Perryman according to customer specifications. After this first contact we were able to do a step further and introduced Cronidur to the industry as an alternative material for medical instruments. The material was originally developed by the German company VSG for ball bearings and happened to have the right properties for medical instruments. We are buying the wire rod and produce the wire and bars according to very close tolerances. This is basically one of the things we try to do in our business development programme, identify an already existing market and introduce a new material that outperforms the more usual materials. We proactively find fields where our materials and services have an added value, e.g. currently nickel free wire for braces or bars for implants." Even though now and then it is the customer that comes to Hempel with a request. One of the most remarkable applications on which the company is working are implants for artificial finger joints. Hempel was contacted by a Swedish professor who designed and patented the actual joint and had decided on using titanium for the springs. Falling back on their expertise in the medical field Hempel's experts quickly realised that a special steel would be a better alternative for the springs of the implant. This material proved to be more efficient and Hempel is now using its well-established



One of the most important customers of Hempel's Germany based operation is the chemical industry.

contacts in the medical industry to arrange production. Today the co-operation is continued as a joint venture with the objective to achieve market introduction of the implant system within two years. The watch industry is supplied by Firth with materials for bracelets, cases, springs and dials. Since customers such as Rolex and the Swatch Group have very high standards the introduction of new products is a true challenge for the Hempel Group. Especially melt chemistry and surface finish are important topics in this industry but Mr Hempel is confident that they have

arranged all the little bits and pieces so they can make new deliveries to famous brands soon. Recently Hempel Germany added standard stainless steel plates for the chemical industry to the stock programme. "The combination of the existing highly specialised product range in nickel alloys with standard plates from the very competitive source Columbus, South Africa, and the possibility of extensive material handling makes us an interesting partner for the sector" Mr Hempel says. In May 2001 Hempel started a close cooperation with the German technical and metallurgical advisors Dierschke & Streib Bocholt GmbH. Joint projects have been defined in order to increase the market penetration for nickel alloys and titanium in specific areas. "In a similar way as we did it for the medical and the watch industry we want to develop the value added services and products for the chemical and aircraft industry". Mr Hempel remarks: "These are some

of our most important business development projects which proves to the markets that we know a lot about the industries we are serving so that we can fulfil our mission to set the standards when it comes to material selection, procurement, handling and processing of special metals".

PLANS FOR THE FUTURE

According to Mr Hempel, the group will grow based on the existing competitive advantages: the close partnerships with first class suppliers combined with an international distribution network which offers high value added products and services to customers in specific industries. "As a distributor one of our first tasks is to optimise the supply chain: increase the efficiency of our procurement, improve the product range and expand our distribution channels. In this context the development of e-commerce are of great importance to the group." As a result of all these activities and objectives Hempel has more than one expansion plan running. Watson's wire mill is planning to expand the production capacity from 2000 to 3000 tonnes. Mr Hempel: "We see great potential for Watson and have therefore evaluated to increase the capacity of the mill significantly. The flexibility of the company remains unchanged as this is so vital for its success but we definitely need the extra capacity to further develop specialities such as nickel alloys for the chemical industry and Cronidur or nickel free wire for medical applications. Also special fine wire is an area we are looking to develop." Furthermore Firth is optimising its warehouse and service centre. The company is in need of extra space for new machinery such as a levelling line. At the same time Hempel's German operation is looking into new plasma cutting machinery or alternatively water jet cutting equipment. "More and more we are involved in the refinement of metal products and this requires certain investments so we will be able to serve the market even better. As requirements from customers get more specific and often more complicated we have to be able to fulfil these; our business is a people's business and we are training and motivating our staff to challenge these objectives in a competitive environment."

FACTS & FIGURES

Name:	Hempel Special Metals Group
Number of employees:	82
Turnover:	42 million Euro
Companies within Group:	F.W. Hempel Gesellschaft für Spezial- und Rostfrei-Metalle mbH, Firth AG, Watson Wire Ltd, Airco Metals Ltd
Products:	Titanium, nickel alloys, stainless steels, other special metals and alloys in sheet, plates, band, tubes, bars, wire
Industries served:	watch industry, medical, power generation, chemical, aircraft, construction and architecture, electronic, precision tooling, fabrication
Parent company:	F.W. Hempel & Co. Erze & Metalle founded 1950
Sister companies:	F.W. Hempel Metallurgical GmbH; H.A. Watson Ltd; Campine n.v.