

GLOBAL SUCCESS FOR KRUPP THYSSEN STAINLESS

Krupp Thyssen Stainless is the largest producer of stainless steel and other corrosion-resistant alloys in the world. Through its renowned NIROSTA® brands the company serves just about the whole globe with an almost endless range of products. *Stainless Steel World* visited Krupp Thyssen Stainless's headquarters in Duisburg, Germany, and talked to CEO Dr Hadrys about markets, technology and strategy.

In order to generate innovative solutions to customers' materials problems KTS continuously invests in its production facilities. This new bright annealing line at AST is just one example.

Everybody in the world of stainless steels knows the names of renowned companies such as Krupp Thyssen Nirosta (KTN), Acciai Speciali Terni (AST), Mexinox, Shanghai Krupp Stainless (SKS), and Krupp VDM. The name of the parent company, the strategic holding Krupp Thyssen Stainless (KTS), is somewhat less well known, as the company consciously tries to stay in the background in order not to interfere with the activities of its subsidiaries. *Stainless Steel World* was particularly pleased to be able to talk to Dr Helmut Hadrys, Chief Executive Officer of KTS. At the KTS headquarters in Duisburg, Germany, we discussed the position of the stainless steel industry in the world today and the challenges of being the market leader world-wide. With the acquisition of AST in 1994 by Krupp and the merger between Krupp and Thyssen's stainless steel flat businesses in 1995 the group gained a dominating market share of no less than 40% in Western Europe. Since then the group has further expanded its activities through the increase of its share in Mexinox to 95%. Located in San Luis Potosi, Mexico, Mexinox is a first hold in the NAFTA region for KTS. Today the group is looking forward to the next step with the operational start-up of SKS scheduled for this November. SKS is a joint venture between KTS (60%) and the stainless plate producer Shanghai Pudong Iron & Steel (40%) and will be the core of KTS's Asian activities.

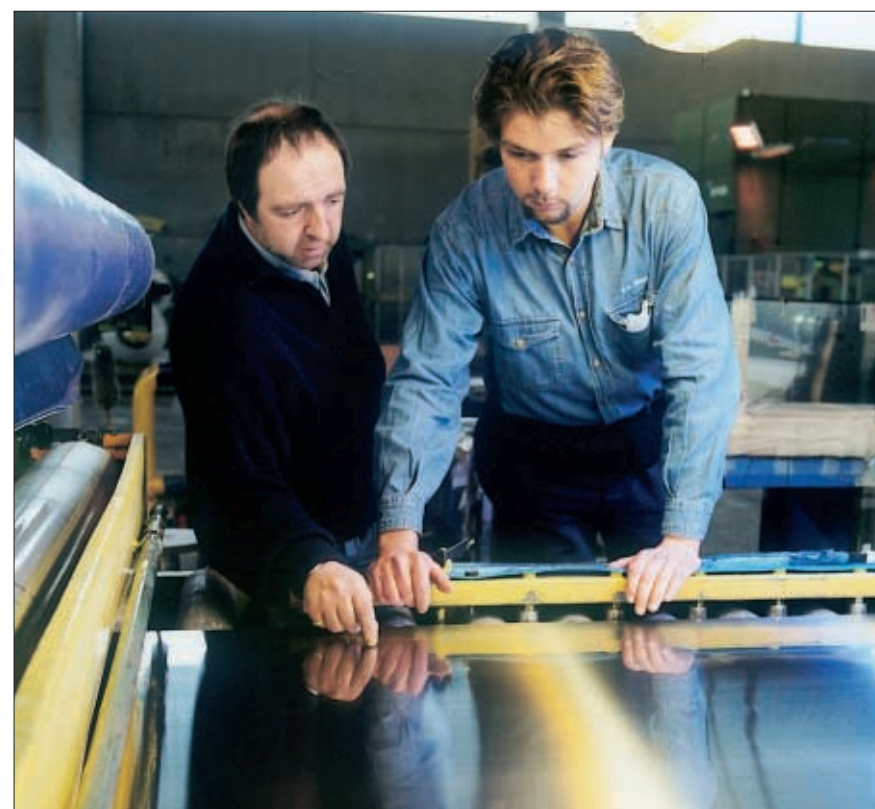
Dr Hadrys: "For us the target with the highest priority is customer satisfaction. We want to be sure we are doing everything within our power to improve service, timely and quick delivery and guarantee a high-quality product."

At the same time the group does not limit itself to just stainless steels. With Krupp VDM the KTS-group is the second largest manufacturer of nickel alloys. Located in Werdohl, Germany, Krupp VDM is specialised in the development of made to fit materials solutions serving the industrial engineering, the electronics, automotive and aerospace markets. A remarkable application currently receiving high recognition by the public is the production of coin blanks for the Euro, which will be introduced in 2002. Since 1999 Krupp VDM has been producing no less than 10 million coin blanks a day. Together the KTS companies produce 1.6 million tonnes annually of stainless steels and other corrosion-resistant alloys. However, volume is only part of the story. The group carries a demanding product portfolio that is characterised by high value added products, such a thin gauge ferritic and austenitic grades, bright annealed and a variety of other demanding surface qualities. Therefore KTS feels it not only leads in volume but is also a technology leader.



STRATEGY

According to Dr Hadrys the close ties with the customer are the main driving force behind KTS's strategy. "For us the target with the highest priority is customer satisfaction. We want to be sure we are doing everything within our power to improve service, timely and quick delivery and guarantee a high-quality product. We definitely focus on establishing long-term relationships with our customers. We feel we have been very successful with this approach. The most important indicator which shows that our customers feel the same way is the high percentage of long-term contracts that we have been able to sign through the years." An important aspect of KTS's quest for customer satisfaction is its multi-brand strategy. The group aims to go beyond providing a world-wide marketing organisation and a global purchasing network. KTS wants to be present in every market with its own production facilities in order to be close to its customers and serve them at short notice without the interference of cultural barriers and time zones. Therefore the company has purposely kept up a German, an Italian and a Mexican brand instead of marketing just one.



As the KTS group carries a demanding product portfolio that is characterised by high value added products, such as thin gauge ferritic and austenitic grades and a variety of demanding surface qualities, quality control is taken very serious.

E-business

It is not that difficult to buy or sell stainless steel through the Internet. ThyssenKrupp Steel, the parent company of KTS, is developing a project to launch two e-commerce platforms together with three other major European steel groups. BuyforMetals is an Internet-based purchasing system, while STEEL24-7 is directed towards communicating with the customer. The differences between STEEL24-7 and other steel websites are numerous. For one, the companies behind STEEL24-7 are producers instead of traders and have ongoing customer relations which will be brought in and further developed through STEEL24-7. STEEL24-7 is not only intended for sales, but will become a major factor in supply chain management. Therefore the service aspect is of vital importance and everything possible has been done in order to improve usefulness to the customer.

Another major step forward will be taken this November, when KTS's Chinese operation becomes operational. Dr Hadrys: "Entering the Chinese market was discussed more than extensively and was decided upon only after very careful and elaborate market studies. Particularly, our decision to produce high value-added materials from the start is remarkable, we feel. Reality has surpassed our expectations already. While we estimated the Chinese market to reach 2,000,000 tonnes by 2003, new figures from Chinese authorities indicate that 3,000,000 tonnes is well within grasp. Therefore the next construction

phases have recently been approved leading to an annual production at SKS of 270,000 tonnes in 2005." Looking at the plans for the next five years, KTS's CEO emphasises that the group wants to keep its position as market leader world-wide. Therefore considerable activities are being undertaken in line with its goal to serve customers locally. Dr. Hadrys explains: "Globalisation for KTS means regionalisation." With the role in Asia defined, major emphasis is now put on defining the KTS role in the NAFTA region. He continues: "The US market is of high interest to us. Our product range could be designed to be complementary to what local producers are offering, the price level is attractive and the NAFTA region has a significant volume and growth. Greenfield as well as co-operation models are under consideration, the latter one being particularly attractive in order to avoid the build up of over-capacities." Also in Europe, KTS will follow a careful strategy when it comes to expanding capacity. The company will invest only to follow the growth of the domestic market. At the same time, according to Dr Hadrys, all export business to the NAFTA region and Asia will come to an end as soon as the Chinese operation is in full swing and the anticipated NAFTA strategy is implemented.

TECHNOLOGY LEADER

Another major goal of KTS is to keep up its historic position as technological first mover. Dr Hadrys feels that this is essential in order to generate innovative solutions to customers' materials problems. "Since the invention of stainless steel we have been at the forefront of technological developments. We introduced continuous casting of stainless



Thanks to more efficient production techniques prices have dropped over the years making stainless steels an attractive alternative for many other materials.

materials, we were one of the first to implement sendzimir mills and we also paved the way for cluster mills. The first thin slab caster worldwide for stainless at our AST operation has had its first successful hot run on August 1, 2001 and the thin strip caster at Krefeld will take up industrial production shortly." With these developments over the years KTS has been able to maintain the necessary productivity increases in order to compensate for the long-term reduction of stainless steel prices. The process innovations have been seconded by successful developments of innovative products. This will receive an accelerated momentum with the industrial operation of the strip caster allowing for economic production of new alloys. Dr. Hadrys: "We are enthusiastic about the results achieved. The strip casting will be a quantum leap in the industrial development of the stainless industry. Significant energy savings, CO₂, NO_x and SO₂ reductions, logistical improvements and a reduction in capital employed are just a few of the benefits KTS expects from the industri-

CHALLENGE

Stainless steel has enjoyed a remarkable growth rate through the years. Thanks to decreasing prices stainless steel has become an attractive substitution for many other materials. Even so, there are definitely challenges to the industry, one of these being the emergence of trade barriers. KTS welcomes recent initiatives of the US Government to start an investigation with the goal to eliminate subsidies and over-capacities. A second challenge is created by the stainless steel industry itself. Dr. Hadrys says: "As producers we have to grow with the market. In the near future though it looks as if capacity and market demand will be out of balance. There is a risk that this might result in a price deterioration and weakening of the industry. In the future the International Stainless Steel Forum (ISSF), founded in 1996, could be a vehicle to not only improve communication among the world stainless producers but also to smooth out past cyclical developments. Although the forum originally started as a platform for the exchange of information on markets and products it is now moving into a phase where it will look at other issues on a more global basis; one of these is the development of an early warning system to have an indication on critical developments. Even though there are challenges to be met, the future for stainless steel at KTS looks bright." ◀

FACTS & FIGURES

Name: Krupp Thyssen Stainless
Subsidiaries: Krupp Thyssen Nirosta, Acciai Speciali Terni, Mexinox, Shanghai Krupp Stainless, Krupp VDM
Markets served: Chemical and petrochemical, energy, offshore, aerospace, automobile, architecture, white goods, food and medical
No. of employees: Over 12,000
Turnover '99/'00: Euro 4314 million

Chart showing Krupp Thyssen Stainless' position within the ThyssenKrupp organisation.