

COVERSTORY



Econosto has taken over responsibility for stocking the valve and gasket needs of Du Pont's Dutch plants at one of its strategic warehouses.

As a supplier, Econosto is quite simply second to none. It offers a huge range of products, manufactures own and third party products, carries massive stocks and has a world-wide presence. Just as impressive are its services, including technical product support, advice on applications and logistics management. No wonder Econosto has increased turnover six-fold in just ten years' time. *Valve World* took a short trip to Rotterdam, the Netherlands, to learn more about Econosto's potential as a Total Supplier.

# Econosto defines Total Supply

During Valve World's visit to Econosto, we received prompt, clear answers to all our questions. Not surprising, perhaps, for a company which prides itself on transparency and honesty in all its business dealings. Indeed, Econosto's people went out of their way to explain the state of the valve industry, how end user markets are structured and the developing role of suppliers and distributors. In fact, during the whole of our interview they were only stuck for an answer on a single occasion. Namely when asked how best Econosto should be described. For example, is this company a sup-

plier, a technical trading house or a manufacturer with distribution capabilities? After a few moments thought, Commercial Director EHV Mr Kind wryly conceded that there is not a term that can properly describe Econosto. For it serves so many customers in so many different ways that a single label cannot do justice to them all. Mr Kind: "You might call us a 'Total Supplier' or a 'Solutions Provider'. But really the name is irrelevant. Our mission is straightforward - to be the supplier you want us to be. So no matter what size your company is, or where it is located, you can rely on

Econosto. For we have the power, the flexibility and the commitment to deliver tailor-made services to local, national or even global customers.”

The starting point for this total supply service is the huge array of products that Econosto can provide. Obviously, the list includes valves of all types and sizes, as well as associated products such as actuators and positioners. Naturally, items such as gasket and sealing products are on offer too. But the list does not stop there, for Econosto also stocks a wide variety of items needed on plants such as flow, level, temperature and pressure instrumentation as well as fittings, hoses and couplings. In short, Econosto really does offer a one-stop-shop solution for the hard-pressed maintenance engineer or procurement manager.

And neither is it just off-the-shelf commodity products that Econosto furnishes. At its world-wide valve automation centres, parts such as valves, actuators, switchboxes and positioners can be assembled, calibrated and tested to provide ready-to-install flow control solutions. This service is seen as a valuable, time-saving asset by Econosto's clients, as is its capability to set and check safety relief valves and to field-test hoses in line with safety guidelines. And for those extra special valve requests, Econosto has an in-house engineering department which can design dedicated valves.

### Key supplier

Impressive as Econosto's product portfolio undoubtedly is, what really sets the company apart are the constructive relationships it develops with its customers. This has made Econosto not just a preferred supplier, but indeed a key supplier to many leading companies such as DSM, Du Pont, General Electric Plastics, Hercules, Philip Morris, Akzo Nobel etc. However, Supply Chain Manager Mr Sol emphasised that it is not just these 'majors' that can benefit from key supplier agreements. "Wherever customers have a certain level of purchasing volume, be they multinationals or local operators, key accounts are proven routes to saving them time and money. Even MRO and project-based organisations can and have benefited from our key supply agreements, whereby I should add that for projects and MRO we can source items from other suppliers to complete packages."

To establish new key supply contracts Econosto first identifies a commodity product line that the end user regularly purchases and which requires considerable handling and/or administration within the purchasing chain. Typical low-risk, high-volume items include valves, instruments and flow meters. Econosto looks at the product price, work processes, administration, handling, distribution and warehousing of the customer. Once a contract for that product line has been fine-tuned it can be easily extended to include other product lines, in order to create an umbrella arrangement for the user's total needs. Naturally, as the volume of purchased items increases, so better and better cost prices can be offered. However, lower prices are not just the result of 'bulk buying', emphasises Mr Sol. "Many purchasers tend to focus just on the commodity costs, but there are many other elements to the total cost of ownership. By targeting these

we can help realise substantial savings. For example, we may agree to invoice on a monthly basis, or the client may submit fewer, but larger orders, which means less handling for us. Other examples are weekly deliveries for lower handling and transport costs, EDI connections for lowering order costs, logistic services on-site, inspection and testing, handling certifications, standardisation, insourcing purchasing of the customers needs and mutually agreed productivity targets. Typically, the money saved is returned through a discount afterwards. However, in many cases we are so confident that we can save money as a key supplier that we offer the better price in advance."

### Procurement chain

To fully develop its key supplier concept Econosto has thoroughly analysed the procurement chain. Mr Sol. "When we looked at the chain, starting from the original man-



**A Total Supplier offering a huge portfolio and yet with an eye for detail with its manufacturing capabilities, Econosto has the flexibility to adapt to local circumstances. No wonder it is a key supplier to leading companies such as DSM, Du Pont, General Electric Plastics, Philip Morris, Hercules and Akzo Nobel.**



Thanks to 250.000 m<sup>2</sup> manufacturing facilities worldwide. Econosto is able to supply an impressive and varied assortment.

ufacturer right through to the final client, we saw that many steps are in fact duplicated. For example, ordering, invoicing, warehousing and maintaining records and certificates. It is by eliminating this duplication that really substantial savings can be made. This fact is not yet appreciated by many end users, but proof that this approach does

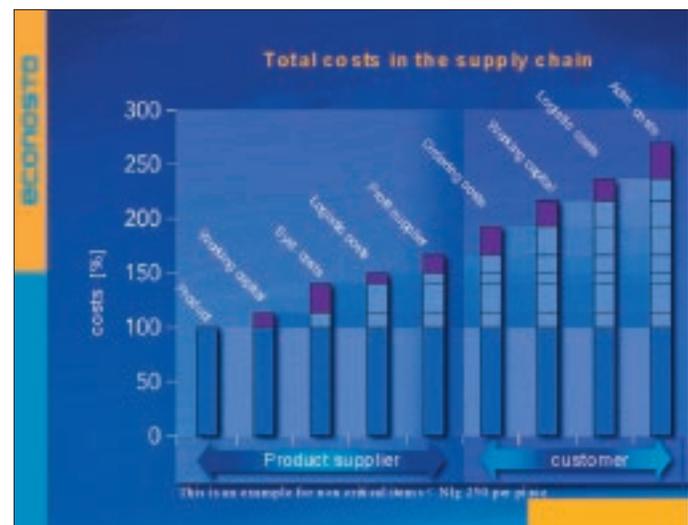
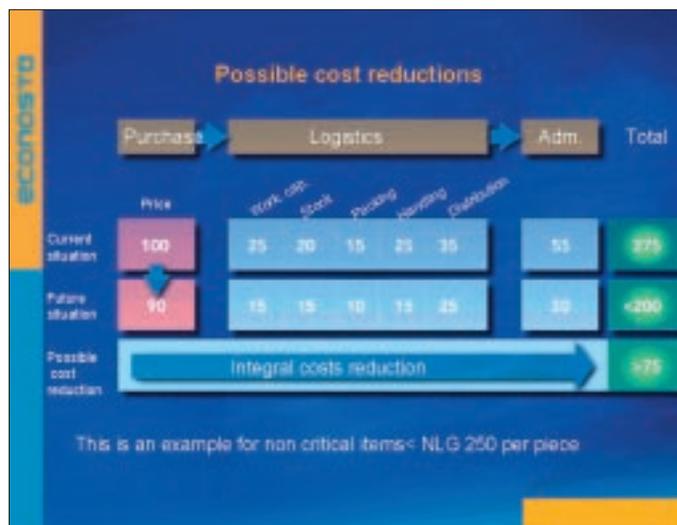
work can be seen from our recent successful contracts with DSM.” [See the charts below] Obviously, for an end user to relinquish control over the procurement chain requires trust. In this respect Mr Kind believes that Econosto’s emphasis on transparency in business is a winning factor. “Our aim is to be clear in what we want, to communicate our

needs and to work together with our clients. All too often parties are only interested in the quick dollar. At Econosto, our objective is to foster long-term relationships based on realistic prices and proven service, which extends way past the moment of sale. In short, we take care of our customers.”

It would seem that Econosto’s understanding of the procurement chain has definitely come at an opportune moment in the valve business. As outsourcing increases, end users are releasing their grip on the supply process and Econosto is happy to take over these areas. Mr Sol: “We are willing to adopt new spheres of responsibility. If required, we can manage the whole chain, from sourcing to administration right through to warehousing. We can even monitor stock levels and inform clients when they need to buy items. Also we can provide consignment stocks and mobile workshops to cater to overhauls and shut-downs. This leaves clients the time to concentrate on their core activities. This is particularly valid for MRO businesses and significantly reduces the total cost of ownership.”

### Shifting

Whilst discussing the changes taking place amongst end users, Business Development Manager Mr Heijne touched on another topical issue, namely the shifting of expertise. Typically, he said, each plant used to have its own piping engineer, who was a font of local knowledge. Following the ‘downsizing era’, such engineers have been replaced by centralised staff providing more of an ad hoc



From NLG 275 To NLG 200; By analysing how costs are built up in the supply chain, Econosto can eliminate overlaps between supplier and customer and hence drive down costs. Key areas for savings include handling and distribution, as well as administration.

consultancy service. Mr Heijne: "The result is a flattening out of end user expertise, with local requirements regarding reliability, total cost, best selection of products, etc, being replaced by centrally-maintained standards. So realistically, the best the central staff can do is keep a finger on the pulse of local projects. They simply do not have the time to properly ensure each and every aspect is well taken care of. Instead, they fall back on standards which may no longer be relevant. This is known as a black box scenario – people apply specifications drawn up by others but without fully understanding the ins and outs."

This decline in knowledge is not just restricted to end users, but applies equally to engineering contractors, said Mr Heijne. As such, this opens up a new role for Econosto, he added. "Econosto is ideally placed to take up the role of knowledge provider, as we have years of practical valve applications experience and references as well as seasoned project managers. Now we have taken that a step further by engaging a senior piping engineer from a leading engineering contractor. This gives us the capability to analyse

## FACTS & FIGURES

Name:	Royal Econosto Group (quoted on Amsterdam Stock Exchange)
Divisions:	* Flow and Sealing Technology (production, sale and distribution of valves, gaskets, sealing products, hoses, couplings, instrumentation systems, chemical seals, etc.) * Comfort and Environmental Technology (production and sale of domestic and industrial HVAC and energy systems and services.)
Locations:	>20 countries world-wide
Employees:	>2500
Turnover:	NLG 1 billion in 2000 (est., +/- EUR 450 million)
Target:	EUR 1 billion in 2003
Stocks:	over 1 million items, worth USD 30 million, held in strategic and local warehouses world-wide.
Markets:	Chemicals, petrochemicals, oil & gas, shipbuilding, power generation, HVAC, OEM, general industry, etc.



(From left to right:) Supply Chain Manager Mr Sol, Commercial Director EHV (Econosto Holland Valves) Mr Kind and Business Development Manager Mr Heijne. "At Econosto, our objective is to foster long-term relationships based on realistic prices and proven service."

functional requirements and suggest practical solutions. Moreover, we can even review valve selections to see where savings can be made. That's all part of the Econosto Total Supplier service!"

### Global presence

Important to Econosto's credentials as a Total Supplier is its global presence. With a rapidly expanding network of offices, agents, manufacturing locations and stocking warehouses, Econosto can easily support newly-developing regions as well as serving existing clients venturing into overseas projects. Mr Heijne: "In the early nineties we realised that the future lay in our capacity to provide a world-wide service to our clients. Our first target was to cover Europe, which we have done, and since then we have grown rapidly in the Middle East and Far East. Indeed, I expect that we can announce a strategic presence in North America in just a couple of years' time. Then we can really act as a global partner."

Thanks in part to its policy of internationalisation, Econosto has seen turnover increase six-fold in just ten years' time. And there is more to come, according to Mr Kind. "Despite the recent slow markets, our target is to double turnover to EUR 1 billion by 2003. I believe that's a very realistic target,

as we have now attained the right critical mass in both manufacturing and distribution through organic growth and acquisitions. For example, Siekmann has strengthened both our presence in Germany as well as broadening our power generation activities. Malbranque has further enhanced our power generation lines with a completely new valve series. This in addition to the exciting new dimension it has provided with its renowned well head valves and equipment." Asked where he sees the greatest potential for growth, Mr Kind immediately indicated areas such as petrochemicals, chemicals and oil & gas. "Despite the disinvestments caused by the recent low oil price and the overcapacity in the chemical sector these are very exciting areas for Econosto. Markets are now stabilising and even increasing in some regions, especially in Latin America and the Far East. So we will definitely look to boost our presence there and in fact we are currently building a large warehouse in Thailand for that very reason. But that does not mean we will forget our traditional customers, in areas such as steam, shipbuilding, general industry, etc. We value all our clients, be they big or small, and have done so for the past 108 years. As was stated earlier, we are a Total Supplier with both the power and the flexibility to serve a huge number and variety of clients." ■