



Royal Econosto takes success to the next level

Following a major restructuring and shedding of its production facilities in 2000, Royal Econosto have become a streamlined supplier of valves and related products to the global market. With many successful projects under its belt, including becoming the exclusive supplier for a massive state-of-the-art hydrocracker in Russia, the company is building on its reputation for excellence, efficiency, and openness. Communication and expertise remain at the heart of the company's success, as Valve World learned from the Econosto team.

By John Butterfield and Joanne McIntyre

For over a century Econosto has been involved in the production and distribution of valves, gaskets and related equipment. In 2000 the company was restructured to maximise performance; non-core companies were sold and a new focus on the sale of engineering products

was created. Econosto is now solely a valve and in-depth knowledge supplier, a core activity in which the company has always been successful.

"The restructuring has led to much higher profitability for the company," explains Frank van Os, CEO of Royal

Econosto. "We were able to significantly increase efficiency and profitability across the entire organisation. Our product range was streamlined to focus on valves, gaskets, hoses, and related products. It's been a successful transition as the company is now growing rapidly in



Frank van Os, CEO (left) and Otto de Vries, CFO (right).

several industries. Today the Econosto group is a totally different entity to what it was seven years ago."

Successful project partner

Royal Econosto is active in projects around the world, with the company being involved in significant investments in Russia, the Middle East and Western Europe. Its team are justifiably proud to have secured the exclusive supply contract for the world-class hydrocracker plant currently under construction in Kirishi, Russia. "This huge project is valued at around USD 57 million and it is being completely executed by Econosto," says Mr. van Os proudly. "We're supplying every single valve for the plant, which is unique. The end user, Kinef, wanted one single source. As a customer specific supplier Econosto acquired the order following a strict selection process. One of our key strengths is that not only



Managing directors Econosto Group companies in Berlin during annual MD meeting. From left to right: Steven Lee (Singapore), Frank van Os (CEO), Julio Ferrero (Spain), Rik Walraevens (Belgium), Peter van den Bent (Netherlands), Conny Rozema (Secretary BoM), Chris Frietman (Middle East), Dieter Pokorny (Germany), Neng-Yu Chen (China), and Clive Gamble (United Kingdom).

do we have the knowledge and the reputation to carry off such a large project, but we can also select the best partner for our customer. We have the flexibility to offer what the customer wants". The Kirishi project is huge in every aspect; the complexity of the financing, the delivery, the total scope,

the sheer scale of delivering over 18,000 valves. Econosto is now shipping its products and the project will be completed in 2008.

"We expect to enjoy quite a lot of spin off business from the hydrocracker project because it's recognised as being a top project not only in Russia but



The steam turbine emergency shut off valve DN 2200 (88"), engineered and constructed by Siemens.



The new office and warehouse from Econosto in the Middle East, in Dubai.

globally. It's considered to be setting a new standard" according to Mr. van Os. Econosto has built a solid reputation in the projects business. "While our branches in Germany and the Middle East have traditionally been more active in projects than the other groups, today we have expanded that focus to include all of our branches and we're enjoying significant success in the project business. This is due to a number of reasons. Firstly, worldwide the market is investing much more heavily in the petrochemical, oil and gas markets than a few years ago. We're also seeing more investments globally and we have adapted to meet the needs of the markets. We recognised that growth in the market would come from projects so we needed to have more professional people. Projects are a unique kind of business and our close links with many EPC contractors meant that there were people who were very interested in coming to join us."

"There is a tendency for EPC contractors to assign more responsibility to their suppliers. This may be in the form of working closely with the contractor in engineering matters, or taking care of part of the purchasing. EPC contractors want to have a closer relationship with their supplier from whom they are increasingly demanding additional services. Managing a project requires a large team of qualified people because you're not just supplying a product but also the certificates, contracts, just-in-time delivery, the expediting... and that is all before you even reach the execution stage! It's a big responsibility because of

the costs involved for all parties. Executing a project on time benefits everyone involved including the contractors."

Econosto fills multiple roles when undertaking projects including handling logistics. "We ensure the valves are delivered on time, in top condition, correctly packaged and with all the right documentation. We even have agreements with some companies whereby we effectively manage their stocks, supply materials when needed and also take care of the paperwork for deliveries. While this is not a common arrangement in the petrochemical business we are happy to offer this service to our clients."

Strong global position

Econosto's key markets are oil and gas, petrochemicals, maritime shipbuilding, OEM and HVAC. Mr. Otto de Vries, CFO, takes up the story: "We are enjoying growth in both the project business and in MRO. All the markets in which Econosto is active are doing well

at the moment which we of course benefit from. For instance the Econosto group is an emerging player in the power plant industry. We are already very well-known in the German power plant sector for companies such as Siemens, with whom we have a very good relationship. The German power industry is very internationally driven which means that Siemens are not just building power plants in Germany but all over the world. There are only a few power plant or turbine manufacturers in the world, and the turbine manufacturer usually has the lead on installing the total power plant. Our company in Germany, Siekmann Econosto, has an excellent reputation in the power plant market not only in Germany but also globally because our customers are global."

"We have a very large and fast growing operation running in the Netherlands, Belgium, Germany, the UK, Spain, the Middle East and the Far East. We have 150 people working for us in the Middle East and believe that we can understand our customers needs better by being close to their locations."

"In January this year we opened our first Russian office, in Moscow. Previously our Russian operations were controlled from the Netherlands or Germany, but our activities in the region have increased so much that it became necessary to have at least one office in the country. We may open a second office in St. Petersburg, which is closer to the Kirishi hydrocracker project, so that we are in the neighbourhood to serve our customer and be in touch with what's happening locally."



Final inspections of the valves before being sent off to customers.

One of Econosto's main strengths is the focus and expertise of its staff. "We have the right staff to execute a customer's requirements. The focus within the whole group is at market level. We have individual business units within the group; for instance we have petrochemical business units in the Netherlands and Belgium, and in that business unit we have people that are completely responsible for that market sector right down to the profit and loss level. They know exactly what the profitability is of each and every business unit. Most importantly the responsibility lies with the purchasing and sales team because they are in close contact with the customer. People are more motivated when they feel they are responsible for something. Sometimes in large organisations people don't have any responsibility so they don't know why they do something. I think one of the things that make us special is that our people speak the same language as our customers. They know exactly what's going on in each market sector and they can see the results of their work. This has led to us gaining the reputation of being a very open and transparent company."

The Econosto brand



The product range includes complete product lines, manufactured exclusively for and by Econosto. This high-quality range such as Econ and Econgaph products is augmented with an extensive range of products from A-brand suppliers. Most Econ designed valves are manufactured at an outsourced production unit for the company. "Production is done elsewhere but it carries our brand name and our approval" explains Mr. van Os. "The products are made according to our specifications and

standards. We have a wide range of Econ products covering the full scope of valves. This is also unique because it is available for all our working companies, we can show the market that we have one family of Econ products. Production was outsourced following a stringent selection procedure. We carry out what we call 'moving inspection' which means that our inspectors are present during every stage of production. Our people are actually in the factory overseeing the production so there is the highest level of quality control from start to finish."

Econ valves are produced at several locations to service the various global markets. While the company is involved in all aspects of the design, Econosto tailors products to meet the standards which are required in any particular area or country. "In our business there is no global standard; there are different standards, certifications and approvals and in order to comply with these we sometimes need to modify or change a design."

Future strategy

Not surprisingly, Econosto has planned a strategy for the future that will enable it to achieve further growth and maximise the benefits of the booming economy and markets. "Our group of companies will work even more closely together to grow with the markets," says Mr. van Os. "We have international competence centres for various markets, for instance Power or Oil & Gas. These are centres of excellence with top staff specialised in a particular field, and whose responsibility extends beyond their own branch. There is a lot of knowledge available within our

group so we are organising and consolidating that knowledge to make it available to other branches. As an example there is more knowledge available on the maritime industry in Econosto Netherlands than there is in Spain. To further develop the Spanish maritime market we will have the international competence centre look at the market, conduct market surveys and support the local company to develop that market. Exactly where the research is carried out depends on where the competence centre is located. For the maritime sector it would be carried out in the Netherlands while for power it would be Germany."

Another development within the company which will lead to benefits in the coming years is the recent installation of a new IT system. "Econosto is well-known for its large stock. We are very much MRO driven as a company. We maintain a large amount of stock in the Netherlands and Middle East and each work group company also has its own stock. Almost all of our companies in Europe are now linked to the same IT system, in order to have access to each other's stocks and to easily place orders within the group. Our stocks are more readily available to the group, enhancing the speed and efficiency with which they can be accessed around the globe."

"In the coming years efforts to strengthen our position in key markets may include making acquisitions in some countries. We see many expansion possibilities for our own products in various countries. There are a lot of opportunities for future growth," Mr. van Os concludes.

Facts & Figures

Name:	Royal Econosto Group
Founded:	1892
Headquarters:	Capelle aan den IJssel, The Netherlands
Key markets:	Shipbuilding & repair, chemical & petrochemical, oil & gas, heating, ventilation & air-conditioning, original equipment manufacture, water management, power generation
Products:	Valves, gaskets, hoses, fittings, instrumentation, other equipment
Brands:	Econosto, Econ, Econgaph, Hofland, Deltaflex
Staff:	650
Turnover:	EUR 190 million (2006)