

# NEW MARKET CHALLENGES FOR CONCRETE MACHINERY

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## Abstract

In the third quarter of the year 2008 two big extraordinary events radically changed the world wide scenario of concrete machinery industry: “Financial crises in western markets” and “ market booming in Chinese construction equipments”. These two events have pushed in the last four years to an aggregation between majors Chinese industrial groups and westerns companies leading the sector in international markets.

The effect of this industrial aggregation on “Sustainability and Competitiveness” will be positive. Due to “Financial and Industrial” Asian capability, join to “R&D e Marketing” western capability, machinery manufacturers did new investments for innovation, after sales, financial services, and marketing activities, and a new innovating product and service offer is generated for final customers and users, despite the crisis.

Today we forecast a European demand more and more selective, quality rather than quantity with attention to financial services. Characteristics that only big industrial groups with huge investments capacity and articulated organizations, can offer.

## Keywords

Concrete machinery, pumps, truck mixers, innovation

## CV Author

Marco Brambati, born 1964 in Milan, completed his studies in Mechanic and Commerce. Started his career in United Parcel Service (UPS), where after one year training in US Industrial Engineering department, was nominated Area Manager for Industrial Engineering department. Then he was employed in a worldwide leading earth moving manufacturer. He then joined CIFA, one of the world wide leading companies in concrete machineries, where after experiences in the Sales and After Sales departments became Marketing Manager. He is today Strategic Marketing Director, in the Business Unit Concrete of Zoomlion Group, for both Brands CIFA & ZOOMLION, in the area “EMENA”, Europe, Middle East and North Africa.

## 1. INTRODUCTION

The ranking of TOP 50 construction equipment manufacturers had a total sales amount growing from 98.773 Mln/US\$ in the year 2004 to 181.840 Mln/US\$ in the year 2011 (+84 %). In the same period, two extraordinary events had structurally changed this industry and the competitive scenario: “Western financial crises and Asian market booming”.

## 2. CONSTRUCTIONS INVESTMENT – SHIFT OF GEOGRAPHY

Due to three k-factors, demography development, high demand of infrastructures, and strong financial capacity, there is since some years a strong shift in the geography of construction industry investments, toward Asian markets, with a special focus on Chinese domestic market.

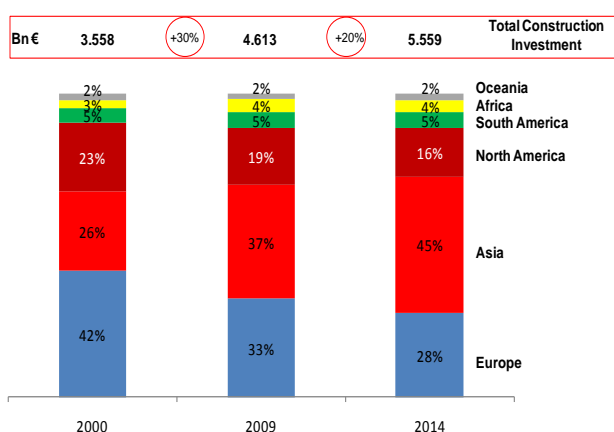
### 2.1 DEMOGRAPHY DEVELOPMENT - TREND BY GEOGRAPHY

The following table shows the forecast of population growth. (Data source US Census Bureau) Asian markets since years have a constant growth and the trend for future is impressive.

WW POPULATION - US CENSUS BUREAU - FORECAST 2011	6.846.072.206	9.440.000.000	37,9%
GEO - REGIONS	Population 2011	Population 2050	Trend 2011-2050
Asia & Oceania	4.241.226.077	5.254.000.000	23,9%
Africa	995.060.892	2.270.000.000	128,13%
America - Central & South	583.893.273	773.000.000	32,39%
Europe + Russia	678.464.618	679.000.000	0,08%
America - North	347.427.346	464.000.000	33,55%

### 2.2 CONSTRUCTION INVESTMENT – SHIFT OF INVESTMENTS GEOGRAPHY

The following graph shows and estimate the shift of geography in construction investments in the period 2000 – 2009 and the trend until 2014. The following table shows the change (%) year on year. (Data source CRESME).



INVESTMENTS IN NEW CONSTRUCTION 2009-2012 (Forecast)				
CHANGE OF % - YEAR ON YEAR				
	2009	2010	2011	2012 Fcst.
China	24,6%	17,2%	6,0%	9,2%
India	6,9%	11,5%	5,9%	7,5%
Russia	-13,4%	-5,7%	3,8%	11,9%
Canada	-7,0%	10,8%	3,8%	3,0%
France	-7,4%	-5,9%	3,8%	1,7%
Australia	2,0%	7,3%	3,7%	4,4%
Germany	-1,4%	2,3%	3,7%	1,8%
Netherlands	-4,3%	-10,4%	3,7%	0,4%
Japan	-8,8%	-3,4%	2,0%	4,8%
Brazil	7,0%	13,3%	0,8%	5,8%
United Kingdom	-12,3%	7,7%	-1,9%	-2,8%
Italy	-8,7%	-6,1%	-2,9%	-1,5%
United States	-16,3%	-12,0%	-3,8%	3,2%
Korea	1,7%	-1,0%	-5,4%	6,0%
Spain	-22,2%	-17,6%	-19,2%	-9,0%

Data source CRESME - Forecast 2012 done in May 2012

### 2.3 CONSTRUCTION EQUIPMENT – SHIFT OF GEOGRAPHY IN TOP 50 MANUFACTURERS

Until the year 2004, no Chinese company was listed in the first of majors TOP 50 construction equipment manufacturers sales. In 2011, seven Chinese construction equipment manufacturers became part of TOP 25 in Sales Value. (Data source Yellow Table International Construction)

The following table reports a ranking with an estimation of year Sales values in year 2004 versus year 2011. Chinese enterprises are highlighted in yellow.

YEAR 2004				YEAR 2011			
Rank	Country	YEAR 2004	Construction Equipments	Rank	Country	YEAR 2011	Construction Equipments
2004	Head Qt	Company	Est. Sales 2004 (Usd)	2011	Head Qt	Company	Est.Sales 2011 (Usd)
1	US	Caterpillar	22.931.000.000	1	US	Caterpillar	35.296.000.000
2	JP	Komatsu	9.470.000.000	2	JP	Komatsu	21.750.000.000
3	US	Terex	6.400.000.000	3	SE	Volvo CE	10.013.000.000
4	US	John Deere	5.229.000.000	4	JP	Hitachi CM	9.997.000.000
5	SE	Volvo CE	4.582.000.000	5	DE	Liebherr	7.930.000.000
6	DE	Liebherr	4.151.000.000	6	CN	Sany	7.861.000.000
7	JP	Hitachi CM	3.998.000.000	7	CN	Zoomlion	7.171.000.000
8	US	CNH CE	3.963.000.000	8	US	Terex	6.505.000.000
9	US	Ingersoll Rand**	3.850.000.000	9	KR	Doosan Infracore	5.830.000.000
10	SE	Sandvik Construction	2.706.000.000	10	US	John Deere	5.372.000.000
11	UK	JCB	2.230.000.000	11	CN	XCMG	5.259.000.000
12	FIN	Metso Mining & Constr	2.118.000.000	12	UK	JCB	4.300.000.000
13	SE	Atlas Copco CE	1.995.000.000	13	JP	Kobelco CM	3.927.000.000
14	US	Oshkosh Access Eq (JLG)	1.735.000.000	14	US	CNH CE	3.876.000.000
15	US	Manitowoc Crane Group	1.629.000.000	15	FIN	Metso Mining & Constr	3.839.000.000
16	JP	Kobelco CM	1.557.000.000	16	KR	Hunday Heavy Ind	3.560.000.000
17	KR	Doosan Infracore	1.358.000.000	17	CN	Liugong	2.768.000.000
18	KR	Hunday Heavy Ind	1.288.000.000	18	DE	Wirtgen Group	2.448.000.000
19	FR	Manitou	1.207.000.000	19	CN	Shantui	2.433.000.000
20	FIN	Hiab	1.031.000.000	20	US	Manitowoc Crane Group	2.165.000.000
21	DE	Wirtgen Group	1.013.000.000	21	US	Oshkosh Access Eq (JLG)	2.052.000.000
22	JP	Sumitomo Heavy Ind	977.000.000	22	SE	Atlas Copco CE	1.990.000.000
23	JP	Tadano	909.000.000	23	CN	Lonking	1.969.000.000
24	DE	Putzmeister	780.000.000	24	JP	Sumitomo Heavy Ind	1.922.000.000
25	CH	Amman	730.000.000	25	CN	XGMA	1.857.000.000

### 3. CONCRETE MACHINERY MANUFACTURERS - GLOBAL INDUSTRY

We estimate the Concrete machinery manufacturers business in 5.000 Mln/US\$ annual sales in 2011, a “niche” compared to total construction equipments sales.

Since some years, the Chinese market of concrete machineries represents more than 70 % of Global World Wide market. As concrete machinery producers we can say that, we (western companies) need China more than China needs us. The first western company in this business who understood that be part of a Chinese Group means include Chinese market in its business Plan was the Italian company CIFA: this is the first Case history of a joint Chinese-western enterprise with management having four years of experience after the merge operation.

#### 3.1 MACHINERY MANUFACTURERS - MERGE AND ACQUISITIONS

- In September 2008, the Italian CIFA (Compagnia Italiana Forme Acciaio) one of the leading companies among concrete machineries manufacturers has been acquired by a consortium lead by the Chinese Group Zoomlion.
- In January 2012, the German Putzmeister one of the leading companies among concrete machineries manufacturers, announced the signing on the merger, lead by SANY together with a Chinese Private Equity as minority share holder
- In April 2012, has been announced that the German Schwing Group one of the leading companies among concrete machinery manufacturers, signed and agreement with XCMG who has acquired a majority stake.

The Chinese strategy of growth meet the strategy of western enterprises to enter with a k-role in the Chinese market. All were moved by a common target to become in short time Global world-wide players, with strong penetration in the main market of China and with presence in most of International markets.

Another k-factor of change in this industry, has been the aggregation of concrete machinery western manufacturers, considered a “niche” of producers, into big Chinese global construction machinery manufacturer groups. The “niche” of concrete equipment manufacturers needed new resources and was looking for creating new synergies.

### **3.2 MACHINERY MANUFACTURERS – CHINESE ENTERPRISES**

Comparing the domestic Chinese market volumes and the International volumes in concrete machinery business, we can say that for a Chinese company to achieve figures that put it among the world largest and most successful companies, it is not necessary to be a global player. Although in the first step, the acquisition from Chinese enterprises of western companies could be read by western people as “invasion”, studying in deep this phenomenon, we can find different motivation such as the research of Chinese companies in order to be more competitive in their huge domestic market. The western creativity, Research and Development, Quality System, Marketing & Communication Tools, advanced Service Systems, are k-components to satisfy a more and more sophisticated Chinese market demand, even if we know that part of it, is influenced by “SOE” State Own Enterprises.

### **3.3 MACHINERY MANUFACTURERS – OUR VISION TO WESTERN CUSTOMERS**

The effect of this industrial aggregation on “Sustainability and Competitiveness” of the sector will be without any doubt positive. The combination of Asian financial and Industrial capabilities, with European enterprises capabilities, in some cases already generated, in other cases will generate, new investments for marketing researches, engineering, quality, trainings, after sales, financial services, and the customers will benefit of new innovative products, services, despite the crisis.

A more and more competitive scenario will urge the machinery manufacturers to invest constantly and offer new solutions to improve human conditions in the job sites, safe and quality for operations: this means more added value for Ready mix and Construction enterprises.

I expect a European demand more and more selective, quality rather than quantity looking, with attention to financial services. Characteristics that only big industrial groups with huge investments capacity and articulated organizations, can offer. On the other hand, the Big manufacturer Groups have to be more and more efficient to answer promptly to new market needs through additional services. So flexibility in big organizations will be another very important characteristic.

For this reason, I expect, after the “Merge & Acquisition” phase, another new phase of concrete machinery manufacturers competitive selection, where the improved competition will identify the most “Global and Flexible” or reactive company among concrete machinery manufacturers: the consequence will be even more benefits for our customers and meanwhile, a new selection in the industry of concrete machinery manufacturers.

