

A group with six plants: four in Italy, one in Ukraine and one in Oklahoma, US, exporting 65% of its sales to 70 countries. Strengths: research and innovation. Single fired tiles led to a boom in exports in the 70s. The Managing Director Sergio Sassi discusses the rise of an entrepreneurial success, born in the Mecca of ceramics, in this exclusive interview, and explains how he wants to assail the markets of Eastern Europe, Russia and China.

Emilceramica: a turning point for single fired tiles

GLOCALIST LEADERS 2

edited by Antonio Barbangelo



“**S**ingle fired tiles marked a major breakthrough for our European exports in 1971. With the single firing technique products are obtained which are suitable for use on balconies and the outer coatings of buildings as they are able to withstand very low temperatures. In the early seventies the demand for these products quickly grew in countries such as Germany, Belgium, Holland, France, and Scandinavia. We were one of the first European manufacturers to adopt the single firing technique”. Sergio Sassi, vice-president and M.D. of the Emilceramica Group since 1997, recalls one of the crucial steps in the development of his company. Emilceramica is a group with a turnover of 190 million. It produces 13.6 million squared metres of ceramics in four plants in Italy, more than 2 million squared metres at Zeus, in Ukraine; and another 16 million square metres at the US plant in Muskogee, Oklahoma. It exports about 65% of its sales to 70 countries, and totals 900 employees. The company, based in Fiorano Modenese (in the district of Sassuolo), was set up in 1961 as a manufacturer of red stoneware for exteriors, by the father of the current M.D., Claudio Sassi, and another two families led by Ugo Tioli and Gino Braglia. In 1997, following the premature death of Claudio Sassi, his son Sergio took over the company. William Tioli now chairs the company. Born in Sassuolo (Modena) in 1957, a passionate fan of tennis and football (Emilceramica is the co-sponsor of Sassuolo

Calcio), gracious and sociable, Sassi was first vice-president, then president (from 2000 to 2005) of Assopiastrelle. In 2004, under the presidency of Luca Cordero di Montezemolo, he became a member of the national council of Confindustria. He is married and a father of two: Gloria, a university student, and Luca, at high school.

When did you begin working for your company?

In 1981, right after graduating in Business and Finance. I began as an area manager, then I was in charge of operations for half of Italy, thus gaining a thorough knowledge of exhibitions, merchandising, and sales and distribution.

What do you produce?

Our group consists of manufacturers of materials for floors, coatings and technical elements, sub-contractors for the ceramics industry, and mining companies engaged in raw material extraction and processing. In 1994 we started by producing materials in full mixed porcelain. Today the industrial area in this country stretches over 450,000 squared metres.

Why is demand from abroad growing?

The fact is that no-one offers a service like Italians. We have noticed Italian ceramics are highly prized in every country. I am talking about our company's products, but not only.

How much ceramic production comes from the Emilia district?

If in addition to the provinces of Modena and Reggio Emilia we also add the area of Imola and Faenza, we reach 90% of Italian production. The remainder comes from artistic ceramics.

Is the spin-off substantial?

Certainly. In the district there is a spin-off ranging from installers to merchandising producers, serigraphic studios and anything else connected to the manufacture and sale of ceramics.

How was this Mecca of ceramics born?

This is a geographic area which boasts an ancient tradition in ceramics. The district of Sassuolo began as an area which produced pottery and crockery out of red earth, also thanks to the local clay mines. After the Second

World War the ceramics industry expanded into floors and coatings which, over various technical evolutions, developed until accounting for 80% of Italian production today.

And your company is linked to this history...

Naturally. For example, we have established a wide collection of antique ceramics, with a permanent display of over 250 pieces, inside Villa Vigarani-Guastalla, a seventeenth century building by Gaspare Vigarani. The display includes the works from the late nineteenth century company Rubbiani, the oldest ceramics of the factory of Count Ferrari-Moreni and the precious eighteenth century production.

You also designed a project for road signposts?

Yes, but always with local history and culture in mind. We proposed the "Street name and house number project". How? The company rediscovered and implemented the production of these ceramic items to offer local councils a solution that enhances towns and cities. Basically, urban redevelopment in aesthetic and functional terms. The formats and graphics of the articles are based on the original models of the company Rubbiani, of Sassuolo, in use until the end of the nineteenth and the beginning of the twentieth century.

But also your city, Sassuolo, has received a lot of attention...

Our company has been engaged in restoring the Palazzo Ducale of Sassuolo, recovering the original terracotta floor and funding the restoration of the seventeenth century frescoes by the painter Jean Boulanger, in the "camera di Giove". Furthermore, eight years ago, we completed the restoration of Villa Vigarani-Guastalla.

Let's talk about today. What are the ceramic materials manufactured in your factories?

We make two types of ceramic materials, obtained with various technologies: there are glazed products, manufactured in porcelain, hard glazed, completely vitrified and in glazed white earthenware; then there is full mixed fine porcelain stoneware.

What were the most important steps, concerning the innovation of your products?

The two latest and most important innovations were porcelain stoneware, in the

two versions, glazed and full body, and the double loading.

In your sector is it possible to patent products?

No. In this industry the use of patents to protect production is not common, also because of the difficulty of enforcing them. Within the district, this form of protection is more used for equipment.

How much of your resources is dedicated to research?

On average 7 to 10% of our turnover is destined to innovation and research. 60 people are employed in the various laboratories of the group. There are many education and training activities going on, too. Research also focuses on energy saving and in 1993 Emilceramica was awarded the "Eta-Enel '93" award for its excellently constructed electric power co-generation plant. The turbine, reaching 97% energy yield, supplies electricity to all the plants of the group, making them independent. Furthermore, in 1997 we received the "Eco-efficiency" award, promoted by the group Il Sole 24 ore.

How many clients do you have?

The commercial division employs 150 people and serves more than 3,000 clients, of which approximately 1,000 are in Italy. In order to better assist the North American market, in the nineties we established EmilAmerica, in Virginia, as a commercial and logistic branch.

Is the profile of your clients abroad in any way different?

The Italian market is quite fragmented and heavily unbalanced towards retailing. Abroad, both in Europe and in the rest of the world, we also find large scale distribution. In markets outside Europe clients in general purchase mostly through warehouse orders.

Can you rely also on subsidiaries in Italy?

In the sector of raw materials for glazing and mixing, in 1987 we acquired Caolino Panciera, based in Sardinia, a mining industry founded in 1907. Through this company, Emilceramica subsequently acquired several national mines in the regions of Sardinia, Veneto and Emilia Romagna, with co-partnerships also abroad. We have basically achieved a good vertically integrated model.

Where do you find the best raw materials for your products abroad?

Until a decade ago, the best raw materials, kaolin in particular, would come from Germany. These days the most valuable clays come from Ukraine and Turkey. Every six months a ship fully loaded with clays and sands sails from the Ukrainian coast on the Black Sea heading for the east coast of the United States to supply our plant in Oklahoma: in the past we used to import them from Canada. With regard to raw materials arriving in Italy, these are concentrated in the port of Ravenna, where the logistic centre of the group's mining activities is based.

Can you tell us how you first started selling abroad?

Major progress came with single firing, with exterior use opportunities. The first markets we approached were Germany and France. During the seventies and eighties we undertook intense marketing activity also aimed at achieving more display space among retailers. In the last few years we have been very successful in the United States, where we have set up service facilities with associated warehouses, in Alexandria, Virginia, for the east coast and in Los Angeles for the west coast. In 2007 we are planning to establish a facility in Orlando, Florida, to be followed in the future by other cities in the States. These days ceramic products are used everywhere, from private residences to large commercial centres, airports, etc.

Why do you think there has been such a development in the USA?

There are many reasons behind the increase in the demand, one of which being the drop in demand for carpets which, until recently, were largely used in American houses and have been replaced by laminates such as fake wood, natural stone and tiles.

Have you started a joint venture with an American group?

Yes, halfway through the eighties we started a joint venture with Dal Tile, a group with 260 brand shops covering 33% of the US market. The first meeting with the Americans deserves a mention. At the time the CEO, Jacques Sardas, who in four years had successfully revolutionised the company, was on a trip to Italy with some vice-directors,

searching for an Italian company to partner with. They paid a visit to the main four or five companies in terms of sales; in those days we were number 7. On the last evening of their stay they had dinner with Giorgio Squinzi from Mapei, who inquired why they had not met with Sassi as well. In a matter of seconds a meeting was arranged for the following day. I met them at 7.15 in the morning in Villa Vigarani Guastalla, so that they would not miss their flight back. There was a positive feeling in the air. I immediately believed in this idea. We met again the following week in Las Vegas, during the trade fair, Surfaces, and then various other times. In a year we had defined a joint venture, first commercial and then production. Today on the Muskogee site 16 million square metres are produced. In Oklahoma our contribution has been fundamental in terms of know-how and ceramic culture. We now have 35 employees, out of a total of 650, supporting the production activity.

And what about production in Ukraine?

The joint venture in Ukraine was developed with Jug, a company active in the mining industry, with which we already had a steady supply agreement. There is a multitude of advantages to this joint venture: in particular we enjoy a significant saving in terms of energy costs and labour. Proximity to the clay mines is another strength. In addition, since the production of the Zeus plant is particularly aimed at the market of the ex-Soviet Union, transport costs are very competitive.

Can you mention a notable supply contract you have abroad?

We have various contracts in foreign markets. For example the agreement with the Marriot hotel chain, in North America, for the supply of polished porcelain; or with Lexus and McDonald's, in Europe. One of the creations we are especially proud of is Kropke station of the Hannover underground system, designed by the architect Massimo Iosa Ghini.

What is the share of local and Italian staff abroad?

There is a strong presence of our staff in production, while management is local. Also in sales our employees hold important positions, but generally the managers are local.

What can you say about the many attempts at imitation abroad? What instruments are used to protect a brand?

This is a problem that concerns the industry in general and not just Emilceramica. The fact that Italian products in particular are being copied confirms once again the high value that "made in Italy" has in the global marketplace. It is a problem mostly related to the Chinese industry. Unfortunately Chinese law does not protect us and does not let us defend our production suitably. After all, if we extend the analysis outside the industry, we can see that also very important brands such as Gucci are taking legal action to protect themselves against Chinese forgeries, though encountering many problems. In any case we are not letting this situation slide. For example, during a recent edition of Coverings, a US trade fair, also thanks to consultancy from Americans lawyers, we had a Chinese manufacturer's stand closed which displayed products featuring names, colours, formats and catalogues of Italian products.

Which other countries are you thinking of entering? And what future projects can you talk to us about?

With our American partners, we are assessing new developments in both production and distribution in eastern countries: Russia and its neighbours, and China. Not just to delocalise, but also because we believe that these new markets have an enormous development potential. The idea is to do new business in those markets, also because the Italian brand is highly considered and desirable.

THE GROUP IN NUMBERS

Founded: 1961
Consolidated turnover 2005: 190.000.000
Consolidated net profit (latest available), EBITDA 2005: 10.60%
Employees: 900
Foreign countries exported to: 70 most important: France, Germany, Spain, Belgium, Holland, Sweden, Usa, Russia, China.