

He became an entrepreneur by picking up butt ends of cigarettes to produce snuff and new cigarettes. Mario Marangoni next began to rethread tyres and became the acknowledged leader in Italy. Finally

Marangoni: I'll give you tyres

GLOCALIST LEADER

edited by Guido Vigna

he began to design, build and sell machinery for reconstructing pneumatics all over the world. As the 80s came to a close he took the company public but...

According to Mario Marangoni, entrepreneurs are born, not made. This is difficult to deny once you have heard his story. Marangoni began making deals early, very early. He was still in short pants, the poor people's uniform at that time, thirteen years old or less, when he realized his first profits. How did he do it? Recycling cigarette butts and transforming the tobacco left in them into snuff, which at that time, during the last spasms of the war and immediately after Liberation, was still considered by the older folk to be some kind of panacea. It must have been those profits that convinced Marangoni that recycling can be an art, or better, a fabulous business yielding optimal results; the only capital he took on that road was his great will to succeed. It was 1953 and Marangoni, born in 1931, a real Rovereto thoroughbred, was leaving his father's workshop, Marangoni Giuseppe and Sons, as the sign read, and with his brothers opened a small business to repair tyres which were otherwise destined for the dump. It was a short step from repair to rethread, and thrift-minded Trentino showed its appreciation with beneficial consequences for the Marangoni

Brothers' small company. In 1959 the brothers bet on the construction of a new plant, alongside which, further testimony to the hardy ambitions of their unchallenged leader, Mario Marangoni, there rose a machine plant for the design and testing of machinery for the reconstruction of pneumatic tyres. Thus began the irresistible ascent that turned a failed accountant into the Labor Knight Mario Marangoni, Number One, who has now, for the most part, left the day to day operations of a major Trentino group, world leader of an extremely specialized manufacturing enterprise, to his son-in-law. It's an remarkable story of entrepreneurship that the "Cavaliere", as he is known in the company, narrates in this interview.

Let's begin with your first business venture...

You mean the snuff tobacco...

The snuff?

To be more historically correct, I had started with cigarettes. We picked up butts, the snuffed out ends of cigarettes, because at that time they were unfiltered. We



removed the wrapper and made other cigarettes with the recycled tobacco. War had taught us to salvage almost anything, and not a few people were recycling cigarette butts. One of the reasons was that the war had ended shortly before, rationing was still going on and tobacco cards were still in use. I got into it as well. I had a group of kids who picked up butts all over Rovereto and brought them to me. I moved on from cigarettes to snuff when I realized it was more profitable. Twice as much as cigarettes; after all, the value added was greater.

In what sense?

The processing involved in cigarettes was minimal, while the procedures for making snuff were more involved. You had to first roast the tobacco, then mill it as fine as possible. Finally, it had to be put into boxes, which involved another recycling process, Swedish match boxes, the rich peoples' matches, and finally I could sell them.

Where? And to whom?

I found my best customers in front of the churches. They were mostly pious women going in for early Mass. They were convinced, rightly or wrongly, that a sniff of tobacco cleared up the airways.

What did you do in addition to selling snuff?

I went to school and was a shop boy.

Where?

For my father: he had a small car repair shop, but we did a little of everything.

What about your studies...

I attended school, but can't say I was a model student. After middle school, I registered to attend a high school for accountants, but I never received my diploma. To compensate, I can't count all of the company management courses I took. But this came later, much later, when I had already opened my first factory. As the problems came up, I went, how shall I say, to get enlightened, and it was a way to measure myself with others, to escape isolation, because in Rovereto, in the Fifties and Sixties, one was rather isolated.

You must also have picked up some foreign languages...

I speak some English and Spanish. Rather than speak, I mangle them. But bear in mind that I read the specialized journals in my field in five languages.

When did you make the move from your father's workshop to tyres?

In 1953, at the age of 22.

By yourself?

No, I was followed by my two brothers, Carlo and Giovanni.

Are you the oldest?

I'm in the middle. But I've always been the natural leader. Carlo, the expert mechanic, was very technically oriented; Giovanni was in charge of production. I coordinated the operations and handled sales. Sales has always been my forte.

Your first operations?

Repair and sale of pneumatic tyres. But from the time I decided to leave my father's workshop and strike out on my own, I was already thinking of reconstructing tyres. The Germans, at a rudimentary level, had already embarked on this business during the war years. And so, two years later, seeing that things were going well, we also got into reconstruction. We were the pioneers; no one in Italy had ever tried reconstructing pneumatic tyres.

Any difficulties?

The usual ones when you're starting a business, which in our case was entirely new. I'll give you an example: where can you find the machinery you need when you're producing something completely new? The best option was for us to make our own machinery. That explains why simultaneously with the opening of a laboratory factory for the reconstruction of pneumatic tyres, Marangoni pneumatics, we were laying the foundations for a mechanical enterprise that would provide the technological support necessary for our production, Marangoni mechanics. This is still one of the group's strong points. This is where we make the machinery we need. Research and development also take place here. And not only for our benefit.

For whom then?

Even for worldwide giants. We have worked or are working for Continental, Bridgestone and Goodyear.

How much does your group invest in research and development?

Let's see. Not less than 2% of sales. That would be between 6 and 7 million euros. Not bad, hey?

Let's talk tires...

We grew rapidly, even though we were operating in a sector already full of giants. It's the scale that played in our favour, because we were smaller, leaner and quicker. This is the reason why we enjoy an international profile today, seeing how we have taken root in Germany, at Hamburg, in the United States and in Brazil. We still reconstruct tyres, but we also have a factory where the tyres that come out are entirely new. In certain sectors, for example tyres for forklifts, we are among the first in Europe. There's one sector of production where we are number one in the world.

Which?

The production of pre-stamped threads for the reconstruction of tyres.

Where tyres are rethreaded

Reconstruction systems; automobile tyres; commercial and industrial tyres; machinery and technology; distribution of pneumatic tyres. These are the five core businesses of the Marangoni group. The principal business concerns systems of tyre reconstruction thanks to Marangoni Tread, which has factories in Frusinate, in Hamburg (Germany), in the United States and in Brazil, which accounts for 40% of group sales and is growing. New tyres are produced at Anagni, while Marangoni's first business, tyre reconstruction, is centred in the factories of Rovereto and Feltre. The Rovereto group also includes Marangoni mechanics which manufactures machinery for the reconstruction and production of tyres. Lastly, there is the PneuMarket franchise, at present a network of sixty stores opened all over Italy, where the partner owns 49% and is responsible for management.

Which, to the layman, would mean...

Imagine a pair of shoes where the soles are old, worn and have holes. The removal and replacement of the old soles is equivalent to replacing the threads on old tyres. We've gotten so good at this that we're at the summit.

You were saying that you're still producing reconstructed tyres. Does this mean that there is still a market...

It still exists, but it is getting ever smaller. The reconstruction sector is mostly limited to snow tyres. It's absurd. Do you know why sales of reconstructed tyres are declining? Because distributors prefer new tyres, so profits are greater, and we sell reconstructed tyres mainly in Germany and in the big box stores. Now that many are tightening their belts, there's somewhat of a return to reconstructed tyres...

Why have you resorted to outsourcing production abroad? Is it for the usual reason that the cost of labour in Italy is too high?

We also put roots down abroad in order to have more than a merely symbolic presence in strategically important markets like the United States and Germany, and to follow the logic of growth: globalization forces you to grow, and in order to grow you have to exploit all the opportunities.

Were you following the logic of growth when you listed the company on the Exchange?

Exactly. We entered the stock market in 1988 in order to continue to grow the company, as we had done, somewhat impetuously at times, since 1959, when we opened our first factory. I was convinced, and we were all convinced, twenty years ago, that with all of the giants in the sector, the way to grow was through acquisitions, for which you need capital, and the only way to get enough capital was to go to the Exchange. And so we decided to take the company public.

Were there some acquisitions?

Not really...

Were you in a condition to make acquisitions?

It's hard to say. There were opportunities,

for example shortly after the fall of the Berlin Wall, but our consultants told us that it was not the time to ask the market for money. The opportunities then evaporated. Vice versa, when we had the money, the opportunities were not there. Going over the past today, my career as an entrepreneur, I think I may have lost some opportunities, and you know why I lost them?

Why?

Because I did not have the right people. Unless you have the tanks, advancing in your sector depends on financial means and the right men. Paradoxically, it is easier to find the financing than the men.

Why is that?

Because one of the biggest difficulties companies like mine, which are somewhat, to use a euphemism, decentralized, is the transferability of managers. You have to send your best men to the front. But they're not always willing to go.

Let's go back to the Market. One fine day you got out. How do you explain this retreat?

There was nothing else to do, that's all there is to say.

Why was there nothing else to do?

I have to tell you the whole story. We listed on the Exchange, as almost everyone else does, by giving the market 35 percent. Then we started looking out the window for possible acquisitions. Time went by and there were no acquisitions. In the meantime, the float had been reduced to 25%, a quota considered insufficient to create interest in the shares. The only thing to do at that point, after 15 years, was to withdraw. Staying on the Exchange would have meant throwing money away. You have to understand that being in the Exchange is like being in a store window, and that costs money. Was it worth it to go on shelling out money when the motivation for the listing, the acquisitions following the logic of growth, failed to materialize? No, it was not worth it, we told ourselves, and so we withdrew from the Exchange.

In any case, you continued to grow...

Yes, there was constant growth. But we didn't have the great leap forward that I had

dreamed of, and that would have propelled us on the world stage with a weight far different than we now enjoy. Because, to be frank, in our sector the bets have all been made.

So what is a group like yours to do?

As a group, we were a little late getting on the globalization wagon. But we can remedy that. We need to look to the emerging markets, China, Russia and India, and it's following this logic that we have just opened an office in Shanghai. But above all, we have to bolster the sector in which we lead the world; I'm referring to our Ringtread system for the production of pre-stamped threads. We're at a very high level there, and it is thanks to it that we have been able, even as regards production, to penetrate the two Americas, Brazil and the United States. There we enjoy wide margins for further growth that will make world players out of us.

THE GROUP IN NUMBERS

Year of foundation:	1955
Consolidated sales:	2006, 340 millions euro
Net profit:	2006, 1.730 millions euro
Workforce:	1,850
Abroad:	Germany, United States, Brazil