

# Global coatings industry: The best is yet to come!

Managers in the international coatings industry upbeat about the future



Different models of corporate ownership, growth markets and sustainability were substantive themes at the 2015 Coatings Summit. Senior executives from the global coatings industry agreed that it was an attractive industry which offered huge promise - especially in high-growth markets - and plenty of opportunities.

The seventh incarnation of the 2015 Coatings Summit, held in Miami, USA, was a unique opportunity for senior executives from the international coatings industry to discuss strategies, trends and the prospects for the industry. The one-and-a-half-day programme was packed with expert presentations by leading international paint makers. In the first presentation to the conference, *Chuck Bunch*, Chairman & CEO of PPG Industries summed it all up when he said: "The paint industry is an attractive industry whose best days are still ahead." Over the last 10 years, the paint makers PPG, Akzo Nobel, Sherwin-Williams, Valspar and RPM recorded 9.2% growth - the highest rate anywhere in the value chain. In the corridors, too, the word was that the paints and coatings industry was satisfied with current business success and was looking forward to the future with confidence.

## Strong management ensures success, regardless of the ownership model

A key area of the conference programme was various ownership models. From private equity, to public limited companies and foundations through to family-run businesses - the success stories were in plentiful supply. *Charles Shaver*, Chairman and CEO of Axalta Coating Systems spoke, for instance, about the strategic implications of private equity in the coatings industry. "The coatings industry will continue to appeal to these investors," he said. *Pierre-Yves Julien*, Managing Director of Hempel Group, discussed a

completely different ownership model. This company was held solely by the Hempel Foundation, which was set up in 1948. While this ownership model was both a challenge and an opportunity, he said, it was at the same time also very successful. In 2014, the Hempel Group generated earnings of 200 million euros (EBITDA). For his part, *Pekka Rantamäki*, Managing Director of Teknos, showed that a family-run SME could be successful on the global stage, too. "Creative, sustainable and fair" was the company philosophy driving the company's growth and bringing in earnings of 40 million euros (EBITD).

## Opportunities abound

*Rantamäki* traced the company's gradual growth over the years. Until roughly the mid-1990s, the company focused very much on the Scandinavian markets, before slowly spreading out into neighbouring European countries, from where it gradually conquered the rapidly growing markets, too. Today Teknos had locations in India, Russia and China, and elsewhere, he added. But these countries were not the only ones where growth was predicted in the years ahead. *Chuck Bunch* gave his expected growth rates for the period 2013-2018. Growth would occur across all regions (Asia Pacific 7%, Latin America 6%, Middle East and Africa 6%, 3% US and Canada, Europe 3%), he said. Naturally, China featured on the conference agenda as well. *Shuchau Cao*, Managing Director of Carpoly Chemical Group, whose 510 000 metric ton production volume makes it the largest Chinese paint manufacturer, gave an insider's view of the Chinese market. Local producers were catching up, he said, but there were still some challenges to overcome: ever stricter legislation, rising labour costs, integration of SMEs and a shortage of technical expertise. *Markus Kamieth*, CEO of BASF Coatings, added further insights into the Chinese market. He discussed strategies and success stories, and encapsulated the situation there beautifully by noting that "In China, everything is possible, but nothing is simple." Kamieth believed there was huge potential in the automotive sector. Currently 86 out of every 1000 Chinese owned a car, he noted. The corresponding figure for Americans was 918. These figures were worlds apart! But what if China were to catch up with Brazil (176 per 1000)? Then the number of cars on China's roads would hit roughly 120 million. Glorious prospects!

## Sustainability: A lasting trend

In Kamieth's view, China would drastically shorten the sustainability gap. The stage was already set. China planned to be covering 20% of its energy needs from renewable

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resources by 2030. For this reason, he believed that sustainability was important for BASF Coatings. *Kamieth* also presented an initiative aimed at creating a sustainable value chain called "Together for Sustainability", by which BASF Coatings and several raw materials suppliers have pledged themselves to sustainability. Sustainability was also an important topic for the Beckers Groups, as CEO *Dr. Boris Gorella* explained in his presentation. In an interactive poll he asked participants to assess, inter alia, the importance of sustainability in their company. Only 10% indicated that sustainability was an integral part of their vision, strategy and daily operations. Some 45% of respondents believed that this issue was growing in importance for the company but that it was not yet fully developed. Akzo Nobel was another company that subscribed to sustainability, as CEO *Ton Büchner* explained in his presentation. "Creating a brighter and more sustainable future" was a motto of Akzo Nobel, he declared. By 2020, the goal was for 20% of company income to originate from products that were more sustainable than those of competitors. In addition, 25-30% of resources and energy across the entire value chain were to be used more efficiently by 2020. One thing became clear over the course of the one-and-a-half-day conference. Sustainability was not a trend that would come and go, but instead presented a challenge that paint makers needed to address more rigorously today rather than to put off until tomorrow. ◀

The following paint makers attended the Coatings Summit 2015:

Akzo Nobel, Allios, Asian Paints, Axalta Coating Systems, BASF Coatings, Beckers Group, Benjamin Moore & Co, Boero Group, Carpoly Chemical Group, CWS Powder Coatings, Dai Nippon Toryo, DAW, Dulux Group, Ellis Paint, Farrow & Ball, Hebei Chenhong Paint, Hemmelrath Lackfabrik, Hempel, J Colors & Arsonsisi, Jones-Blair-Company, Grebe Holding, Jotun, Mankiewicz, NB Coatings, Perstop, PPG Industries, Skshu Paint, Tambour, The Sherwin-Williams Company, The Valspar Corporation, Teknos, Tiger Coatings, Tikkurila, U.S. Paints, Vogel Paint, RPM International, Weilburger Asia.



"Sustainability is very important to our company. It is part of our DNA."

Dr. Boris Gorella, CEO, Beckers-Group, Germany



"I'm here for the first time and have gained extraordinary insights and made invaluable contacts."

Zhu wen jing, Vice-Chairman, Hei Bei Chen Hong Paint Co., China



"The conference affords an excellent opportunity to exchange views and ideas with other decision makers in the industry."

Paula Salastie, Chairman, Teknos, Finland



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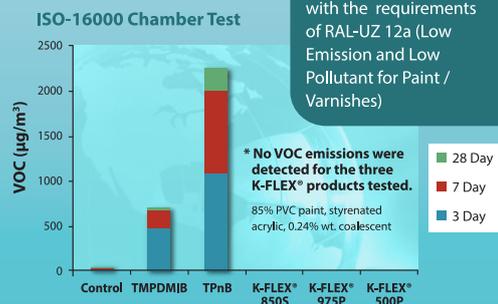
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