The European Powder Coating Market

Turn the pages of any business journal or industry correspondence and the message is clear... Asia is where it all is happening. For the powder coatings industry we are not immune to this event, however with still one third of the global powder market consumption, the European region still remains a vital strategic region within the future development of powder coatings and from that Europe’s ability to deliver a second tranche of step change growth is key.

Jim Ridge.

The Past

For over twenty-five years powder coatings through the adoption of key end markets achieved tremendous annual growth rates, much of them double digit. A key driver for this was the supportive high investment from existing paint companies hedging to ensure they did not miss the boat on powder as it was the then disruptive technology. In addition also providing the momentum for the accelerated uptake of powders were the specialty chemical entrants, who identified the opportunity and with that the value that powder coatings could provide to the industrial market. From those days, the landscape of the European powder coating market has dramatically changed through a combination of both internal and external factors. Europe needs to contend with these issues and as you will see later, has very much within itself the foundation to not only address the challenges, but surpass them.

The Present

We are all very well aware of the main factors that face the European powder coatings market of today -
- Overcapacity, leading to intense competition among the powder manufacturers
- Reduced numbers of new conversions from liquid technologies which once stimulated the rapid historical growth
- Limited product differentiation in some cases, leading to lower switching costs and commoditization
- The dynamics of the global market, migration of selective fabricated metal good markets primarily to the Asian region.
Add to this the unprecedented increases in raw material costs in the last two years and you have a recipe for price erosion, reduced margins and from this the risk for key organisations in the industry to revisit their investment plans.

These are the very plans which are essential in order to stimulate powder efficiency, competitiveness and further market development in the future.

As said earlier, the European powder coatings region has around one third of the global powder consumption market (see Table 1).

Whilst this share will continue to be eroded by the further development of Asia, Latin America and the Middle East, the European region itself has within its borders its own geographic expansion, namely the Central & Eastern countries.

- Poland, Czech Republic, Hungary had been for several years the main countries to have benefited from the migration of western goods manufacturers to the region in order to capture the favourable cost benefits. Whilst this trend continues other neighbouring countries are positioning themselves to capture the economic benefits.
- Russia in particular, will continue to deliver very strong future growth expansion. Currently this demand is overwhelmingly supported from imported powder sources, clearly this manufacturing footprint imbalance will be addressed.

- Not forgetting the impact that Turkey plays in terms of its accelerated growth in the last five years which reflects on its current ~8% country share of the European market, in addition to its position as an export hub into other European states.

So what does this mean for the whole European region? It is evident that migration will continue from West to East, political implications of EU membership expansion will progressively stimulate local demand for the Central & Eastern states, but what about the “West” where currently ~75% of the European usage of powder is consumed.

The answer here lies within the fundamentals of the European powder coating industry, and that is our ability to re-package powder coating’s many advantages and translate this into the greater penetration opportunities of the wider industrial coatings arena.

The Future

The share of powder coatings in the industrial coatings market is widely reported to be within the range of 12-15%, much of this is heavily biased to the end segments of metal furniture, architectural, appliances and the wide reaching General Industry market (see Figure 1).

However as we can see from Table 2, for many applications powder remains to be a niche player when compared to the main existing solvent and waterborne alternatives. Indeed, if powder is to return to the days of healthy step-out growth, truly understanding the drivers and delivering the needs of these markets is imperative to a successful strategy.

In order to do this, the industry requires an even more “holistic” approach to providing the required products and supporting systems. That includes the raw material supplies, powder manufacturers, equipment providers and most important of all, the customers who will make the transition happen, working closer together to leverage powder’s advantages. In saying that, it would be incorrect to suggest that this working together is not already being done in several of the key factors to enhance powder’s attractiveness to liquid users. The bottom line is that the industry needs to recognise and give even further support to this initiative to make it truly happen.

Through advances in application technology in addition to alternative and innovative powder formulations, powder can capture a greater share of the industrial market through further developments in:
- Lower cure temperatures
- Improved application at higher rates
- Further solutions for frequent colour change requirements
- Thinner coatings for cost in use advantage

Add to this powders inherent benefits regarding Zero VOC emissions, the ability to recycle providing >95% recovery, one coat finishes as well as superior temperature, corrosion, wear and chemical resistance.

There is a very strong compelling story for the industrial coatings industry to revisit powder as an alternative to the existing liquid offering.

In summary

Europe was in effect the catalyst for the growth in powder coatings acceptance. Whilst dynamics in global commerce has resulted in a dilution of Europe’s share overall, there still remains a strong strategic need for Europe’s future development.

Geographic expansion in the Eastern countries will provide welcome growth as well as act in some cases, as a buffer to limit major product migration to Asia.
The work ongoing within the industry through the various partnerships in powder formulation and application technology will soon deliver the tools to compete on an equal basis with liquid, thus opening up many more market segments of the industrial coatings market to powder.

Add to this the shift in public attitude towards the environment and more specifically the impact of VOC legislation in Europe; you have true optimism for the ability of powder coatings in Europe to rediscover the growth of the not too distant times.

Challenges, there are.
Solutions, we have.
Time to Deliver the second tranche.

The author:
-> Jim Ridge, European Marketing Director, Powder Coatings, Rohm and Haas Company.

With over 20 years in the chemical industry covering several technical, sales and marketing roles, Jim Ridge European Marketing Director for Rohm and Haas, Powder Coatings, here addresses the European Powder Coatings market as its seeks to deliver a second wave of industry growth.
Figure 1: End Markets - % share by volume
### Table 1: World thermoset powder coating consumption

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<tbody>
<tr>
<td>US &amp; Canada</td>
<td>116</td>
<td>164</td>
<td>170</td>
<td>15%</td>
<td>GDP</td>
</tr>
<tr>
<td>Europe</td>
<td>290</td>
<td>340</td>
<td>379</td>
<td>34%</td>
<td>GDP*</td>
</tr>
<tr>
<td>Asia</td>
<td>125</td>
<td>215</td>
<td>403</td>
<td>37%</td>
<td>Up 8-12%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>84</td>
<td>118</td>
<td>152</td>
<td>14%</td>
<td>Up 5-7%</td>
</tr>
<tr>
<td>Total</td>
<td>615</td>
<td>837</td>
<td>1104</td>
<td>100%</td>
<td>Up 3-5%</td>
</tr>
</tbody>
</table>

*C: Eastern Europe up 5-7%  
CAGR: Compound Annual Growth Rate  
Source: Rohm and Haas, August 2006
### Table 2: European region – Top 5 potential targets for powder coatings penetration

<table>
<thead>
<tr>
<th>Markets</th>
<th>Current powder share vs liquids %</th>
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<tbody>
<tr>
<td>Wood Finishes</td>
<td>2%</td>
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<tr>
<td>Functional Coatings</td>
<td>4%</td>
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<tr>
<td>Coil Coatings</td>
<td>1%</td>
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<tr>
<td>Agriculture and Construction</td>
<td>7%</td>
</tr>
<tr>
<td>Plastics</td>
<td>1%</td>
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</tbody>
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Source: Rohm and Haas, August 2006