



THE SAME, BUT DIFFERENT



Matt Bailey talks to one of Europe's most successful chemical producers and discovers how it successfully markets a homogenous product to its global customer base.

For the sales and marketing department of a global manufacturing concern, one of the most important activities is differentiating your product versus the competition. That's all very well when what you're offering is either unique or has easily definable attributes, but what about when you're making and selling a chemical commodity?

For DSM Melamine – the melamine manufacturing and marketing division of the Netherlands based DSM biotechnology and chemicals group – the challenge is not a conceptual one, it's a daily reality.

The company is the world's largest single producer of melamine, a multi-application carbon based chemical compound that, despite an only vaguely familiar name, is more widely used than most people would realise.

Made from urea – the product of ammonia and carbon dioxide – melamine is a fine white powder that is most often condensed with formaldehyde to produce thermosetting resins, which harden when heated. These resins make products highly resistant to heat and physical and chemical



degradation, as well as enhancing the hardness, gloss and scratch-resistance of surfaces.

Melamine is used in the production of everything from wood based building products – laminates, plywood, particleboard, medium density fiberboard and oriented strand board – to coatings on vehicle body parts and drink cans; flame retardant products in soft furnishings, TV sets and public seating; papers and textiles; even concrete plasticizers.

In fact, it's melamine's sheer versatility that DSM uses as the attribute for differentiating the company and its product. Not by focusing on the product per se, but by researching new and improved ways of using it and better, more efficient ways for DSM Melamine customers to make their products.

The Netherlands based DSM Melamine

Skill Centre forms an integral part of the central research department – the company invests some four to five per cent of its multi-million euro annual revenues in doing just that. Leon Halders, Vice President for Global Sales & Marketing explains how, using laminate flooring as an illustration.

"Working with our customers, we try to make melamine a more effective constituent in laminate flooring products. By doing so, the customer needs less melamine to make the product. Consequently, they can reduce the price to their customers. The result is more people can afford laminate flooring for their home, so the company produces more flooring and uses more melamine."

Of course, that's only part of the story. The other part is being able to supply melamine exactly where and when the customer needs it.



Tailored supply

However a customer uses melamine, reliability and consistency of supply is almost always an issue so, as you'd expect, an equally important part of DSM Melamine's marketing strategy is its distribution and supply logistics.

The company has three melamine production plants – one in the USA, one in Holland and the third in Indonesia. Between them they produce some 210,000 tons of melamine a year, which, according to the company, gives DSM a 25 per cent share of the world market. A fourth 30,000 ton plant at Geleen, the Netherlands will begin production in the last quarter of this year.

Although each facility is strategically placed to serve a large local market, an important point to note is that all three plants share a common manufacturing process and the same high quality standards. DSM Melamine claims the standardisation is necessary in what is essentially a difficult and complicated manufacturing process.

"All of our customers demand consistency of supply," says Bas Van Gemert, DSM Melamine's Vice President for Marketing and Sales in Europe. "Often, we'll tailor supply to a customer's specific requirements, so they can optimise their production processes knowing that the product we supply them will be of a consistently high standard."

"As we produce exactly the same product at all of our plants – and manufacture to common quality standards – if, for whatever reason, the local plant isn't producing, or is producing less than normal, we can divert product to ensure our customer's supply is uninterrupted."

It's the perfect differentiator: something the competition, with single production facilities, simply can't match.

Save and prosper

Worldwide growth in demand for melamine is currently around the four to five per cent mark but, in common with many other companies operating in different industry sec-



tors, emerging markets such as China, Eastern Europe and Russia are growing at almost twice that rate. Although melamine is a relatively mature technology, the growth of these new markets offers DSM Melamine huge potential outside of the established, more traditional markets of North America and Western Europe.

"Our Indonesian plant is currently supplying customers in China," says Halders, "but we're in the closing stages of planning for a new plant in mainland China, dedicated to the local market but also exporting excess production."

An investment of this scale will bring much needed technology and reliable melamine production to Chinese industry. According to Halders, the country currently relies on dozens of small manufacturers producing melamine of inconsistent quality. The new plant is due to be completed in 2006, with production coming online by 2007.

In contrast to the east, many in Western European and North American markets consider melamine to have limited development potential. With the advent of advanced composite materials, it's often regarded as a less glamorous, less sophisticated solu-



tion. But, contrary to uninformed opinion, new uses for melamine are being discovered on an almost daily basis. What's more, the various applications of melamine are inherently ecological and may hold the key to many modern day resource problems, especially in the emerging markets. DSM capitalises on the product's ecological aspects to further promote and market possible applications.

"There are hundreds of millions of people in China all wanting to improve their homes and their work places," says Halders. "By using wood based melamine products they can build new homes and offices without destroying valuable hardwood resource."

In fact, DSM Melamine claims that because melamine can be used to make hardboard products using softwood forests, the company's ecological 'footprint' is almost negated.

"Our product permits the manufacture of many building materials that would otherwise be made from hardwood. Obviously we have some environmental impact by manufacturing the melamine in the first place, but ultimately the benefits far outweigh the costs." □

