

# SHOULD YOUR BUSINESS GO GLOBAL?

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**QUESTION:**        *Is it necessary to be a global business to be successful?*

**ANSWER:**

The answer depends on your business strategy – market segment focus, product offering, goals, and your measure of success. If market dominance or major market share is your measure of success, it is much more likely that your strategy will need to be global versus that of a company focusing on niches.

Architectural Coatings do not, and probably will not, require that participants be global. due to regional differences in construction materials, style preference, and climate.

However, participation in OEM Coatings presents a mixed challenge depending on the market segments of focus. For paint suppliers to some major OEM segments, like Automotive and Furniture, offering global supply is an advantage, and in many cases, a requirement, to sustain business. As finished goods suppliers globalize to adjust to market growth opportunities or as labor intensive industries move offshore to take advantage of lower labor costs and fewer environmental regulations, major coatings suppliers must plan accordingly. An example of an industry relatively early in the trend toward global sourcing is the furniture industry. According to the U.S. Department of Commerce furniture imports totaled over \$10.4 billion in 2000 compared \$6.9 billion in 1998, a 50% increase. Competition and consumer expectation is expected to continue to force this trend, although its growth will eventually slow as the market adjusts. This means that coatings suppliers to the major furniture manufacturers must develop a global strategy. On the other hand, suppliers to smaller regional manufacturers may continue to find success as a niche supplier, differentiating through customization and service.

Other OEM industries, like White Goods and Metal Office Furniture, are expected to remain domestic as costs for shipping outweigh the economics of labor savings.



Specialty Coatings suppliers are also being required to have global business strategies for some segments. A good example of this is the Deep Draft Marine Maintenance segment. The coatings source must essentially follow the ship to be able to supply to the port chosen by the ship owner as the repaint stop. This decision often is made within days prior to docking in the chosen port. The paint supplier must have a global supply and distribution network in place that can respond quickly to that need in order to be a successful participant.

**QUESTION:**      *How have offshore suppliers affected the US coatings market?*

**ANSWER:**

For paint manufacturers the influx of offshore suppliers has provided new sources and lower prices for many raw materials. The pigments industry is a good example. During the last ten years the import of pigments from Asia has changed that industry significantly. This has created a benefit for the paint producer. Prices have fallen, in some cases, as much as 30% or more and at least have remained flat as other raw material prices have increased. Although the cost of approving new pigments in multiple formulations can be prohibitive, eventually long-term economics motivate the process.

Asian suppliers have historically tended to target price conscious market segments having lower quality and consistency requirements, offering pigments at a significantly reduced price to gain entry. After entry is gained the pigments have been continuously refined to improve in areas of aesthetics, performance, and quality to reach the levels required by the ultimate target market such as coatings.

Whereas, many Asian-sourced organic and inorganic pigments and dyes are now common in the coatings industry, a major colorant, iron oxide pigment, remains primarily supplied domestically or from Europe. This is not only because the Asian materials are not yet meeting paint company specifications (and perhaps never will), but also because the cost of reformulating to include new suppliers remains high relative to the value of switching. Typically, small to medium sized paint companies will be the first to initiate evaluations



and benefit from the savings. The major companies are less likely to move quickly because they have more formulations to approve, as well as long-term supply agreements in place.

As other raw material suppliers, such as polymer manufacturers, consolidate or move to “manufacturing centers of excellence” and global supply, the coatings formulator will be continuously faced with re-evaluation of raw materials, but with the ultimate benefit of worldwide product consistency and supply.



## **About The Author**



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Susan joined The ChemQuest Group in 1997 after thirteen years with Zeneca Resins where she held numerous positions including Business Manager, Architectural Coatings, Business Manager, Adhesives & Sealants, Business Manager Graphic Arts, and General Sales Manager. During her tenure at Zeneca, she gained considerable experience in managing strategic planning teams, organizational change, and sales and marketing teams. Prior to Zeneca she spent six years in sales for Morton International Inc. and five years in product development and tech service for the 3M Company. She earned a B.A. in Chemistry and in Mathematics from Augsburg College.

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