Lurking Risks

The Competitive Position of Chemical Park Operating Companies

The operating industry for chemical and industrial parks in Germany finds itself caught up in a new departure and in a process of re-identification at the same time. Opinions are divided on whether to expand or streamline the portfolio, on whether to expand into external markets or to concentrate on essential, mainly site-related operator tasks. Often ideological worlds lie between the different points of view. Yet at the same time, the operating companies need to follow a joint path for the benefit of Germany as a location, in order to strengthen this location against international competition.

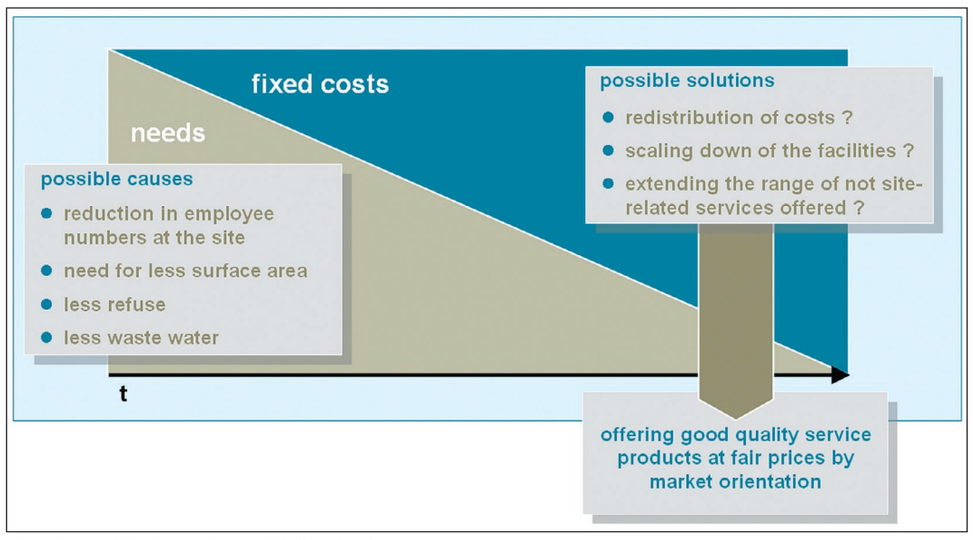
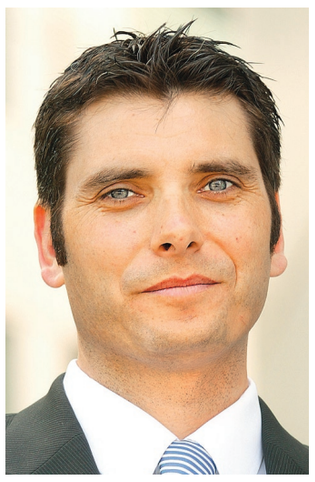


Fig. 1: Competition is complex and bi-directional



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The operating company landscape of the German chemical and industrial parks is marked by many different features. On the one hand, most of the companies owe their origins to the few large German chemical companies that were already established in the country at the beginning of the 20th century. On the other hand, the sales, mergers and divestitures of the past decade have ensured that, as a result, today's operators have very different basic prerequisites. As a consequence, corporate strategies and philosophies are extremely varied and the service units of today have been aligned more or less with market requirements.

Nevertheless, regardless of whether an internal service unit, shared service or hived off company, the economic goals of an enterprise must always remain those of growth and profitability. On their way to reaching these goals, which can only be achieved through competitiveness, service companies pass through various stages of maturity. These stages of maturity correspond to the development phases of the service companies. Thus, in the beginning, an in-house service unit usually continues to provide all the services required by the production departments, without really paying attention to the costs whilst doing so. With progressively more maturity, an innovative service portfolio develops that is controlled by the operating figures and, as a rule, only continues to provide those services that ensure an economic benefit to the service company in the long term.

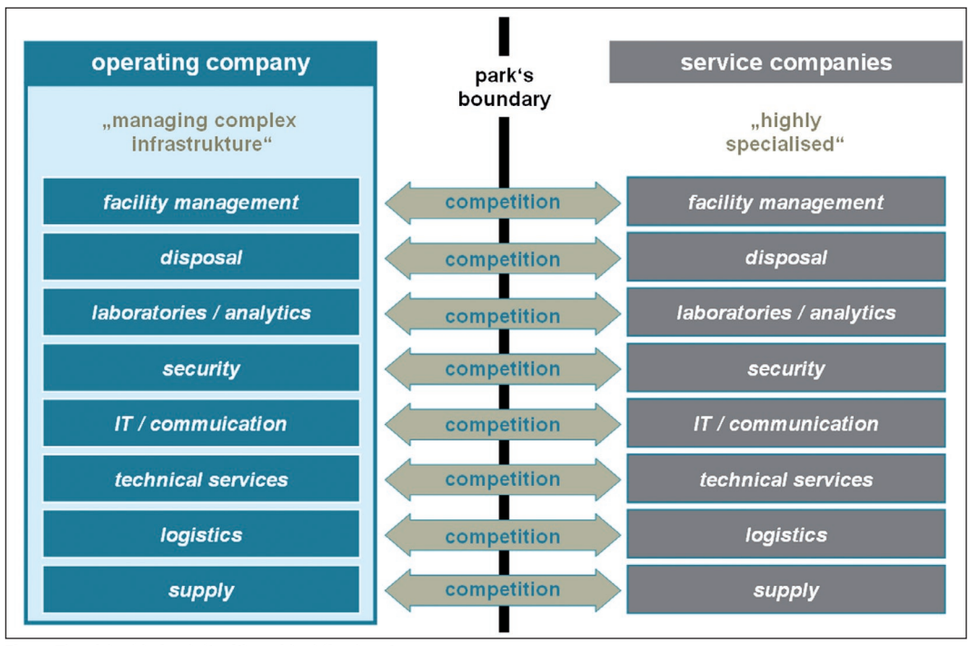

Fig. 2: The risk of being left with residual fixed costs.

A strong portfolio with marketable service level agreements and competitive prices, however, is not only a must for every company whose declared goal is to participate in markets beyond its own site in order for that company to grow or to dilute fixed costs. Today every company attached to a site finds itself in competition. For there are numerous service companies that have been operating in the open market for years and that provide services outside of self-serviced sites. With the increasingly extensive relations between group companies and service subsidiaries, pressure is growing from external service providers, who are forcing their way into self-serviced sites from the outside.

Market Orientation Only for Diluting Fixed Costs?

Through a loss of business, there is a risk of being left with residual fixed costs for maintaining current resources and reserve capacity. For this reason, an operating company has to be in a position to at least defend itself in its own market on the basis of a competitive service portfolio. The migration of companies from the site, as well as increasing production efficiency, lead to a reduction in employee numbers at the site, the need for less surface area and, for example, also to less refuse or less heavily contaminated waste water (fig. 1). The need for site services falls, for example, for those that are calculated on the basis of employees or area, but the fixed costs for ensuring the availability of these services cannot normally be eliminated in the short-term.

What solution remains? Neither a redistribution of costs to the companies still based at the site nor a scaling down of the facilities can be considered a practical solution. A more elegant solution would appear to be a dilution of the fixed costs and a better utilisation of resources by extending the range of services offered that are not site-related. Even if expansion outside the site is not considered to be a strategic goal, it does bring numerous advantages with it. For only those who are able to offer good quality service products at fair prices will be able to hold their own both in the marketplace and against the competition. This is exactly where in-house customers, associated companies and owners benefit, with whom a large part of the sales revenues are generated today. On the one hand, the fixed costs remain stable or may even be reduced and, on the other, it is only from the external market share held that customers can see that the services they are paying for correspond both in quality and price to what is available on the open market. Therefore, whoever does not take up a market-oriented position in time, runs the risk of not being able to defend themselves against the growing competitive pressure from outside and therefore of losing important business.

Industrial or Infrastructure Service Provider?

The service portfolio of an operating company is extensive and complex. Should you look for companies that are fully able to operate and manage complex infrastructures, your search would very quickly be narrowed down to alleged competitors, the operating companies of other chemical and industrial parts. Thus, you always know on whom you should concentrate in competition. Even the number of self-contained chemical and industrial parks in Germany is limited. If you were to speak about operating an entire infrastructure, you might have competition in this respect. But just how many chemical parks change owner every year in Germany? And which operating companies would be in a position today to take part in any such bidding? The necessary investment alone would be unaffordable due to the size or the ownership structure. If at all, these investments are made by external third parties – usually energy companies. Is there really any competition in today's operating market?

If you were to look at an operating company today outside the established chemical and industrial park market, it could be broken down into very many different industries. This would start with supply and disposal, through to security, IT, logistics, technical services, analytics and not forgetting the property management of the land and buildings. Each of these industries has its own market with its own, highly specialised players – the competition (fig. 2). Concentrating on the wrong "rival" here could have fatal consequences.

Summary

Marketable structures in the chemical and industrial parks are necessary in order to offer high-quality services and to provide support for Germany as an attractive location. At the same time, operating companies find themselves faced with increasingly stronger competition, regardless of whether it is their stated goal to grow through external sales or whether it is a matter of defending their own territory. Only site operators that have set themselves up to be marketable and competitive in the face of this competition will be able to offer services in the long run – even to their in-house customers – that are both high-quality and fair priced. For the benefit of "Germany as a location", operating companies must therefore close ranks and concentrate on the real competitors.

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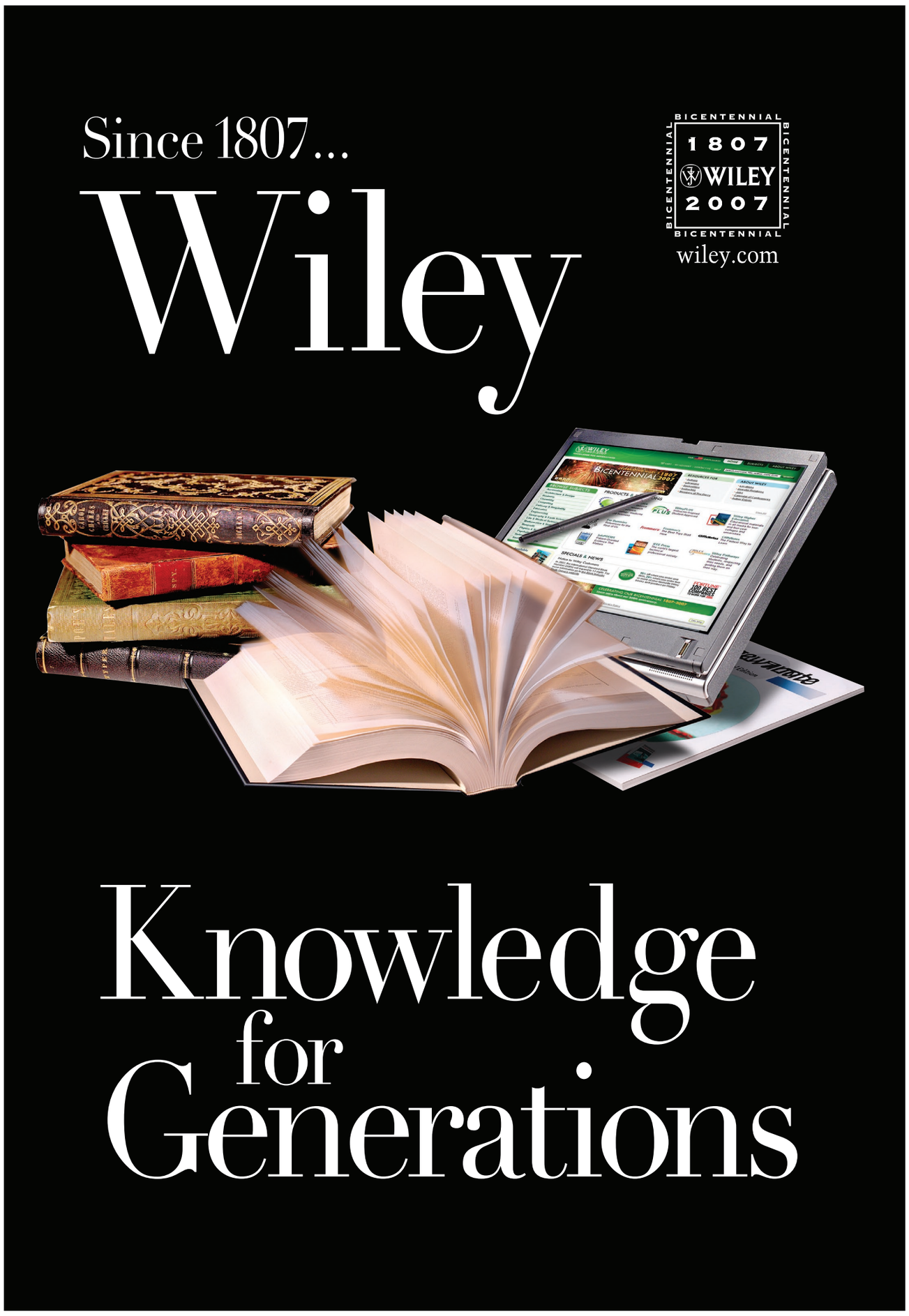

Rhodia Polyamide Opens Technical Centre in China

Rhodia has opened a technical centre in Shanghai, consolidating Rhodia's global technical centre network. According to the company, the new facility brings the complete spectrum of engineering support to customers across the broad range of industries served by Rhodia Polyamide's engineering plastics materials in China and the wider Asian region.

From assistance with concept development through to final part optimisation, Rhodia's centre in Shanghai is equipped to provide a valuable extension to customers own technical teams and resources or undertake project assignments independently. Rhodia's engineers are able to conduct feasibility and performance studies on any applications in which its polyamide materials are used. Typically these include automotive, electrical and electronic, consumer and industrial components.

▶ www.rhodia.com