

In attendance during PaperAge's interview: (l-r) Bob Keller, Senior Vice President, Kemira Chemicals, Inc. (Georgia), Jan Nobel, Vice President, Corporate Account Management & Pigments Business (Helsingborg, Sweden), Michael Strand, Vice President, Specialty Chemicals (Vaasa, Finland), Seth Spurlock, President/CEO, Kemira Chemicals, Inc. (Georgia), Juhani Lindholm, Executive Vice President, Pulp & Paper Chemicals (Helsinki), and Jack O'Brien.



# Kemira Aims at Global Presence

*The role of industry suppliers is now more than ever one of worldwide service, and Kemira Chemicals is heeding the call.*

— BY JACK O'BRIEN, EDITOR-IN-CHIEF

**GLOBAL PRESENCE;** companies strive to achieve it as customers become more and more insistent on the availability of supplies and service no matter where they do business in the world.

Some three years ago, Kemira Chemicals set out to significantly expand its global presence. Since then, Kemira has acquired the paper chemicals business of seven separate companies in the United States and Continental Europe, doubling its paper chemical sales.

PaperAge sat down with some of the key people at Kemira Chemicals' US headquarters in Kennesaw, Georgia, to get a better understanding of the chemical producer's current business strategies.

**PaperAge:** Tell us about Kemira's most recent acquisition, Vulcan Performance Chemicals.

**Juhani Lindholm:** The acquisition was accomplished through Kemira Oy's wholly owned subsidiary Kemira Chemicals, Inc. The business brought some US \$80 million in additional sales and increased our personnel in North America from about 200 to a total of 600.

Notably, the acquisition also includes plants in Columbus, Georgia; Shreveport, Louisiana and Vancouver, British Columbia. These facilities produce emulsion polymers, defoamers, wet and dry strength resins and a variety of custom manufactured products. Vulcan's R&D Center in Columbus is also part of this transaction.

The acquisition was very important strategically, not only in North America, but also in our global marketing effort where we've expanded new technologies and become one of the top three internationally.

**Seth Spurlock:** The acquisition should be good news for our customers and employees. It builds on our core paper, minerals, slurries, and water treatment businesses by enhancing our production capabilities, adding new technology and expanding our R&D efforts. Customers want to work with the basic producers who have the ability to better control the cost, quality and rapid development of new chemistries.

**Bob Keller:** Manpower was a major benefit of the acquisition. We now have exceptional market coverage with our technical representatives. What makes or breaks you in our business can be the quality of the field people who provide technical expertise to our customers on a daily basis. We have greatly expanded our coverage with high quality field personnel.

What do you consider some of Kemira's key strengths today?

**Michael Strand:** Our people, of course, are Kemira's primary strength. Product-wise, bleaching and wet end specialty chemicals are high on our list. Ninety percent of this decade's acquisitions concentrated on acquiring wet-end products, expertise, staff and customer contacts. Within the wet-end, the emphasis is on technology, applications, wide product range and product expertise. The significance of technical service and understanding the customer's business is foremost.

**Jan Nobel:** People's ability, experience and communication skills are vital. This is why we serve customers in

every country according to the rules of their local business culture. Kemira also employs staff in each country. When needed, the parent company brings in expertise and new technology, which we continually transfer globally.

**Strand:** We always remember that business practices vary between areas. For example, in the United States the supplier is much more actively involved at the mill level than in Europe. Kemira's business acquisitions reflect this. We take on a whole new level of credibility when we are able to offer a papermaker a variety of options and ultimately provide a solution that solves a problem or satisfies the needs of a mill.

I stress that Kemira hasn't just been going around buying up companies to show how big we can get. We've listened to our customers. They want choices, quality, low cost and help from global experts.

**The acquisition of Rhodia's industrial additives business in France has been described as providing Kemira a "gateway" into Continental Europe. How so?**

**Nobel:** Kemira had been marketing in Continental Europe, but the growth was slow. With the Rhodia acquisition we now have a strong production base to serve these customers and we look forward to marked growth in this region.

**As Kemira expands, will the paper industry become a bigger slice of the pie in years ahead?**

**Lindholm:** Yes—both in North America and around the world. As paper companies grow through acquisition, so will Kemira.

**Russia has been talked about as a potential area of growth. What is your view on this region?**

**Lindholm:** We do have a growing presence in that area. Russia is about to make some waves in the forest products industry. Russia's 156 pulp and paper companies are growing fast and have recovered from the financial storms of the 1990s. The ten largest companies produce about 60 percent of all pulp and paper in Russia. Russian companies today are focusing on improving processes using chemicals.

**Where is the paper chemicals business heading?**

**Spurlock:** Paper chemicals and water treatment are continuing to grow. There is still room for more mergers among chemical producers, as well as pulp and paper companies. Kemira will still have opportunities to grow by acquisition all over the globe, including here in North America.

**Lindholm:** I agree with Seth. More consolidation will

happen globally, but high quality, service and low cost will remain a must for survival. I think an interesting statistic in the United States is that the paper industry is presently growing at a rate of 2-3 percent a year, but wet-end chemicals are growing at 5-10 percent.

**How has the paper manufacturer/supplier relationship changed?**

**Spurlock:** Mills, especially in North America, have had to take some drastic cost-cutting measures. As a result, reliance has increased substantially on suppliers to provide cost-control solutions. To that end, sole sourcing and chemical management is being accepted in an increasing number of mills, as well as consolidated purchasing. At any one time Kemira may have two or three requests for proposals by large companies, for multi-mills, as a major supplier. We have a significant number of sole source arrangements, but are seeing an increase in chemical management arrangements.

**Keller:** The increased reliance on service from suppliers that Seth mentioned is very real. There is also an overwhelming emphasis on cost control and cost reduction today in North America. These two needs have driven consolidated purchasing, where most mills buy their specialty chemicals from a very limited number of suppliers, in many cases from a single supplier. The obvious effect is that paper companies and suppliers have much more vested in the relationship and are highly dependent on each other for their success.

**Typically, where do the purchasing decisions come from at the paper companies?**

**Keller:** Sometimes, decisions are driven strictly from corporate headquarters who selects the preferred supplier(s) and then works with the mills to implement the program. In other cases, loyalty at the mill level becomes the foundation for a larger relationship coordinated and facilitated by corporate procurement and executive management. Today, specialty chemical purchases are more about selecting a business concept, with the key decisions typically driven by a committee of corporate and mill personnel.

We are now seeing a healthy shift toward corporate headquarters acting to facilitate transfer of best practices from mill to mill. When a technology is proven as best at one mill, then corporate plays a crucial role in efficiently and effectively adopting the technology at other similar mills. This is a trend that we believe will continue and become more global over time. ■