

möbelfertigung: Mr. Köppel, the Homag Group has acquired all shares in Stiles Machinery, the largest machinery distributor in the USA. What was the background to this strategic decision?

Jürgen Köppel: The Homag Group's strategy is to have its own sales and service organization presence in all relevant markets. As a first step in this direction, we either participate in minority shareholdings or set up our own sites. The American furniture market has been the world's second largest furniture market for a considerable period of time, so it is a highly attractive market for our company.

Jürgen Köppel: We first started discussing the possibility of a takeover around a year ago. As early as 2010, we were using macro-economic market data and other information to draw up seven-year forecasts looking at how the American market might develop by 2017. The prospects for the market were very promising, and interestingly, our predications for 2011 to 2013 have for the most part been accurate. We revisited and verified our original forecasts before we went ahead with the acquisition.

möbelfertigung: Why is North America such an exciting market to be involved in right now?

möbelfertigung: How will the acquisition benefit the Homag Group?

Jürgen Köppel: We have acquired an incredibly well-known and exceptionally well-organized sales and service organization; a market share of 35 per cent is a real achievement, isn't something that just happens overnight. American companies tend to be strongly oriented toward service, and Stiles is no exception. We want to hold on to all of these existing structures and build on them in a targeted way.

möbelfertigung: What areas of the company do you want

Homag Group: Acquisition of Stiles Machinery makes Homag Group market leader in the USA

POLE-POSITION

in the World's Second Most Important Furniture Market

The Homag Group acquired all voting rights in Stiles Machinery at the beginning of February, following talks between the companies that had been underway for the past year. Jürgen Köppel, the Homag Group board member who heads up the company's Sales, Service and Marketing operations was part of the board team that worked on the takeover of the USA's largest machinery distributor. We talked to Jürgen Köppel about the strategy behind the acquisition, the 'reindustrialization' of America and other moves the company has planned to build on the Homag Group's position as a global market leader.

The Homag Group subsidiary Holzma had a 26.7 per cent minority shareholding in Stiles. We knew that we had to engage with this market more effectively. After the acquisition, Stiles is now our largest sales and service organization worldwide, and it is located in the world's second largest furniture production market.

möbelfertigung: When did talks between the companies first start?

Jürgen Köppel: Two things are happening in America at the moment: Firstly, furniture design is changing and the modern look is becoming more prevalent, a trend that is strongly influenced by Europe.

Secondly, in addition, many large companies are moving their production facilities back to America. The return to consumers wanting to "buy American" is of course a fantastic advantage for us.

to build on specifically, and where do you see a need for investment?

Jürgen Köppel: It may sound like a strange thing to say, but America is currently going through a phase of "reindustrialization". Over the years the USA hasn't invested much in industry and has relied heavily on imports from China. But now American manufacturers want and need modern machinery. For us, this shift means that we need to build on the excellent structure that Stiles already has in place, using this as a basis to expand engineering capacity. Stiles employees need to continue to develop their knowledge so that they can develop high-quality series systems and customized one-off systems.

Stiles has already laid outstanding foundations for this kind of activity, but now we just



“We need to continue to develop our engineering capacity in North America.”

“America will go through a phase of reindustrialization over the coming years.”

exclusive

need to steer this core knowledge and develop it to deliver high-performance engineering.

möbelfertigung: What does that mean in more concrete terms?

Jürgen Köppel: We need to increase the size of our workforce. And we need to train this workforce in a targeted, specific way. In Schopfloch, Homag has a highly qualified engineering team that

works on very detailed engineering projects. And we want to ensure that Stiles – and our engineering team in North America – is also qualified to independently develop relatively complex systems. This approach is similar to what we are doing in China – wherever there is a demand for machinery, we want to have a local engineering team close by.

The next step in North America is to adapt the service organi-

zation accordingly. Stiles is a very well-structured company, but we need real machinery specialists to manage the development of more complex systems.

möbelfertigung: Do you intend to ask employees from Germany to relocate to the USA?

Jürgen Köppel: If we do, it will only be in very isolated, individual cases. The engineering team in Schopfloch is already stretched,

>The Homag Group's strategy is to have its own sales and service organization presence in all relevant markets: Board member Jürgen Köppel, who heads up the company's Sales, Service and Marketing operations, was part of the team that initiated and managed the takeover of Stiles Machinery.



“Stiles will continue to sell all other machine brands too.”

and we are short of and trying to recruit engineers even in Germany. For engineers working on the development of machines, at least five to ten years of professional experience really makes all the difference. If we do discover an opportunity in Grand Rapids that would be a perfect fit for the skill set of an employee from Schopfloch, then we will consider relocation. However, in principle we want to recruit, train and develop an American workforce.

möbelfertigung: In North America, furniture is constructed in a different way. How does this affect your machines?

Jürgen Köppel: There are still some things that are specific to America. But ever-increasing numbers of customers are switching to European construction methods – and one of the reasons behind this shift is the “Ikea effect”. Many manufacturers can see the advantages of working without face frames and using high gloss or matt surfaces. This is another area in which the market is evolving, as it increasingly favours modern, European furniture. People are also starting to realize that European design doesn’t necessarily have to be more expensive, and the speed at which these changes are taking place is set to increase over the coming years.

möbelfertigung: Does this mean that at the moment your machines have to be able to cope with both styles of construction?

Jürgen Köppel: Yes.

möbelfertigung: In the past, Stiles sold machines from other companies as well as Homag machines. These other companies were only informed of the new situation once the acquisition was complete. What is the current status of communication with the suppliers?

Jürgen Köppel: Peter Kleinschmidt called all of the suppliers and explained the details of the acquisition. I supported him during this process where necessary.

möbelfertigung: Who spoke to the more “sensitive” companies such as Bürkle and Heesemann?

Jürgen Köppel: I spoke to both companies personally.

möbelfertigung: What is your strategy?

Jürgen Köppel: We already work together with a number of these companies in other markets. They were very enthusiastic about the acquisition because it will be a positive development for them, too. At the moment, everything is business as usual for Stiles customers. As our customers, they will

let us know whether they are satisfied with the path we are taking.

möbelfertigung: So are there any applications for which the Stiles/Homag team would recommend a Heesemann sanding machine, even though the company has Bütfering, its own sanding machine division?

Jürgen Köppel: Heesemann’s product portfolio – as it currently stands – includes some interesting solutions.

möbelfertigung: Are Stiles sales staff who visit customer sites actually Heesemann employees?

Jürgen Köppel: No, they are Stiles staff. They are employed by Homag to sell both Homag and Heesemann machinery.

möbelfertigung: So how do you decide between Heesemann and Bütfering?

Jürgen Köppel: The key factor is that the customer and his requirements are always at the heart of what we do – it all comes down to what is the ideal solution for that customer.

The Homag Group, as a system provider and partner both for industry and trade customers, will be in a position to meet any requirements with Bütfering solutions. That is what we set out to do. The new products we have launched recently have significantly reduced the gap between the two companies.

möbelfertigung: Stiles currently has a market share of 35 percent. What are the company’s specific objectives?

Jürgen Köppel: A 35 percent market share in North America is 7 percent more than the Homag Group has on average across the world. At 35 percent you aren’t usually the hunter, but the hunted.

However, I believe there are opportunities for further growth, for two reasons: Firstly, the level of competition for the engineering of complex systems in North America is negligible. And our competitors don’t have the same

level of geographical coverage across the USA as we do. Secondly, we have an excellent, established service team and an outstanding support organization. These factors are very important for industrial customers in particular. So if we focus on honing our engineering skills and retain the customer orientation that we have today, we have a great chance of continuing to grow on the American market.

möbelfertigung: How are the turnover forecasts looking for Stiles?

Jürgen Köppel: We want to grow significantly more in the USA than in Germany, for example – the USA is where everything is happening, and America is undergoing a period of significant change. We are expecting the US market volume to grow by 10 to 15 per cent by 2017, so the turnover generated by Stiles will also rise significantly.

Our group strategy envisages Asia – particularly China – Russia, North America and parts of South America as growth markets. Because of our size, we are keen to and are able to pursue a much broader growth strategy.

möbelfertigung: Do you intend to keep the Stiles Machinery name in the long term?

Jürgen Köppel: Stiles is not just a name – it's a brand too. Many American customers aren't aware that Homag has been the company behind Stiles for many years. In the USA, Stiles was the supplier. So we will be keeping the brand.

möbelfertigung: Let's talk about people: Christian Vollmers has been President and CEO at Stiles since the acquisition. He also heads up Homag Canada. Is that all of Mr. Vollmers' roles?

Jürgen Köppel: Yes, but that set of roles is already quite a challenging balancing act. Christian Vollmers is also the Regional Director for North America, although he is supported to a great extent in that role by managers in the individual branches.

möbelfertigung: As recently as 2013, the previous Holzma site at Gastonia was closed and High Point was expanded. Is further investment required at the Stiles headquarters in Grand Rapids?

Jürgen Köppel: Gastonia and High Point are, point to point, just 100 miles apart. Combining the sites was a long overdue step that needed to be taken. In addition, we still had space available at High Point and the site enabled us to utilize group competence much more effectively.

With Stiles, we have many customers in the direct vicinity of the Grand Rapids site. When it comes to the building itself, we don't see any need to invest in Grand Rapids – the facilities are very good and space for expansion is available if we need it. As I have already said, we plan to invest in people: in local sales staff, service technicians and systems planners.

möbelfertigung: Given the predicted growth rates, are you planning to set up your own local production site?

Jürgen Köppel: We already have Weeke North America producing CNC machines locally. Based on the currency volatility we're currently seeing in the economy, in addition to the factor of transport costs, it makes sense to produce in North America.

However, it will never come down to a choice between Germany and America. Germany will continue to produce high-value systems and keep growing in this market. But for less complex machines, transporting the machine from Germany to the USA is no longer cost-effective. There are many good suppliers to choose from in America – in the area around Detroit and Chicago, for example, there are a number of potentially interesting suppliers because of the automotive industry in this area. These suppliers are very important for manufacturing in the country.

möbelfertigung: Are you planning to produce entry-level machines locally, as in China?

Jürgen Köppel: We are going to try it out.

möbelfertigung: On the subject of China: do you have similar plans there with Homag China Golden Field (HCGF)?

Jürgen Köppel: We are still keen to have our own sales and service organization in all relevant markets, and China is the largest furniture-producing market. However, according to an EAC study, HCGF is already the strongest sales and service organization in China by far, in terms of both the number and qualification level of employees.

“The fact that companies are moving their production facilities back to America from China, and the return to consumers wanting to ‘buy American’, is a fantastic advantage for us.”

möbelfertigung: Looking at the Homag Group in general, what are your forecasts for 2014?

Jürgen Köppel: We have taken a significant step to secure our growth and have laid good foundations for success. If there are no major negative economic developments on a worldwide scale, we will meet our goals, with Asia and North America, as well as Germany, as the key drivers behind our growth. In the long term, we aim to break the billion mark in turnover by 2017 at the latest; in 2014, we are predicting turnover of EUR 860 to 880 million.

möbelfertigung: But project figures from Germany did actually decline in 2013...

Jürgen Köppel: This situation is comparable with FC Bayern Munich, who recently lost spectacularly against Real Madrid. In spite of this defeat, Bayern still plays in the Champions League.

It's exactly the same for the German market: For wood processing machine manufacturers, Germany is always the most important market with the highest demand. There are still many customers who need to invest, including large companies with budgets in the double-digit millions range and

medium-sized and smaller trade businesses.

möbelfertigung: So we don't need to worry about Germany? Even though China and other large markets are practically the only ones that get mentioned these days?

Jürgen Köppel: Not at all. You often notice that China is over-emphasized in communications from large companies. At the moment, we might be devoting disproportionate attention to the USA. But what actually makes the Homag Group different is that we have a presence all over the

world. As a large company, we can target our investments in specific markets. We shouldn't ever write off the German market – Germany will remain among the top three markets for wood processing machines over the next five to ten years. We have the advantage that we can balance out fluctuations in one market with our performance in other markets and other product areas. But you can only do that once your company has reached a certain size.

möbelfertigung: Let's talk about German trade fairs: How did the Holz-Handwerk event go for Homag?

Jürgen Köppel: It went really well. Our sales in the period after the trade fair were even better this year than in 2012, and we saw high sales at the trade fair itself too. I think the solutions we developed with the tagline 'Grow with the Homag Group' were well received, and even smaller companies are now positive about the Homag Group – that wasn't the case ten years ago, even though, as we witnessed again at the trade fair in Nuremberg, the boundaries between industry and trade are becoming increasingly blurred.

möbelfertigung: How would you rate the trade fair compared to *Ligna*?

Jürgen Köppel: I'm on the advisory committee for both trade fairs and I speak for the German locations when I say that our company is in a great position. *Ligna* is a completely unique, leading global trade fair for a range of products, including large-scale systems. For smaller-scale trade businesses, the *Holz-Handwerk* event perfectly complements the *Fensterbau/Frontale* fair for windows, doors and facades. Both trade fairs are very well established and I'm always incredibly pleased to play an active role in both trade fairs.

möbelfertigung: What do you think of *Xylexpo*?

Jürgen Köppel: I'm glad that the German association has taken a clear stance on this event, that it supports the fair and that German manufacturers haven't let this trade fair fizzle out, but have instead tried to save it. It's good for Europe to be able to see high-caliber machines in the years between the *Ligna* trade fairs. Unlike the Nuremberg event, the Milan fair also showcases larger, interlinked systems. Compared to Germany, Italy is also a more attractive destination for visitors from some southern and eastern European countries, as well as South America.

möbelfertigung: What about other trade fair locations, such as Turkey?

Jürgen Köppel: Turkey is a very interesting country. If I remember rightly, the average age is under 30, and the country has a population of 70 million. The *Intermob* furniture fair, for example, has a potential audience of 550 million people, so the event is a gateway to the Middle East.

möbelfertigung: What are your expectations of *IWF Atlanta*?

Jürgen Köppel: This is the first time Stiles will be exhibiting as part of Homag, so we want to retain the familiar character of the stand but add some other touches to highlight that something has

changed. *IWF Atlanta* should be a great trade fair given the growing market in the country.

möbelfertigung: Automation is a hot topic at the moment, and the Homag Group recently bundled the activities of Ligmatech and Bargstedt in Homag Automation. Why?

Jürgen Köppel: We took this step because we wanted to collaborate even more effectively with

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in the Group for the benefit of our customers, and because we wanted to realize the potential synergies between the different areas. Both Ligmatech and Bargstedt possess excellent automation solutions. If we develop these solutions together, we will be able to do so more cost-effectively and hopefully also faster in the future. But we want to keep both sites.

With Jochen Fischer as the new Managing Director R&D and Production and Holger Blötscher as Managing Director Sales and Administration, the management structure also shows that this is a collaboration in the areas of engineering, development and service. Jochen and Holger previously held director roles at Bargstedt and Ligmatech and are working together to lead Homag Automation now that it has been officially created. The companies individually were too small and sometimes lacked the force they needed in the marketplace. The idea behind the merger was to get products to market quicker and work together to increase the impact of the companies on the market. After all, if we can't provide the right solutions at the right time, others will.

möbelfertigung: Is it problematic to have a central management structure for two separate locations?

Jürgen Köppel: No. It is just a little unconventional. One sales organization in Canada has three

locations, one in Asia has five. It's just a question of organization.

möbelfertigung: But having two separate development departments could create issues...

Jürgen Köppel: The development teams are now in a situation in which they have to communicate with one another much more intensively – we have one responsible director to manage these communication channels and oversee the development centers.

Automation is an incredibly important growth field, and we're seeing growth in all areas, from small trade businesses to large industrial companies.

We're already getting increasing requests for automation solutions. The edge banding machine is important as a stand-alone component, but the question of how this machine is integrated into the production process is now almost more important than the machine itself.

möbelfertigung: Will both companies become more specialized in their production operations?

Jürgen Köppel: In some ways, yes, but each of the companies also needs to be able to act as a supplier to the other and respond to rising and falling demand.

möbelfertigung: Do you intend to become more heavily involved in the field of automation, for example in robotics?

Jürgen Köppel: Yes, definitely. Robotics is a great example. There are plenty of promising fields to look at – anything to do with the movement and storage of parts, for example. We are particularly keen to increase our offering of cost-effective solutions for smaller companies. Just take the issue of offcut management as an example – offcuts really eat into available space for a lot of companies. A vertical storage system with a robot could potentially generate great savings. These kinds of solutions are attractive for joiners.

The interview was conducted by Doris Bauer and Tino Eggert



“Germany will remain among the top three markets over the next ten years.”