

*8th International Aluminum Extrusion Technology Seminar
ET'04 May 18-21, 2004 • Orlando, Florida*

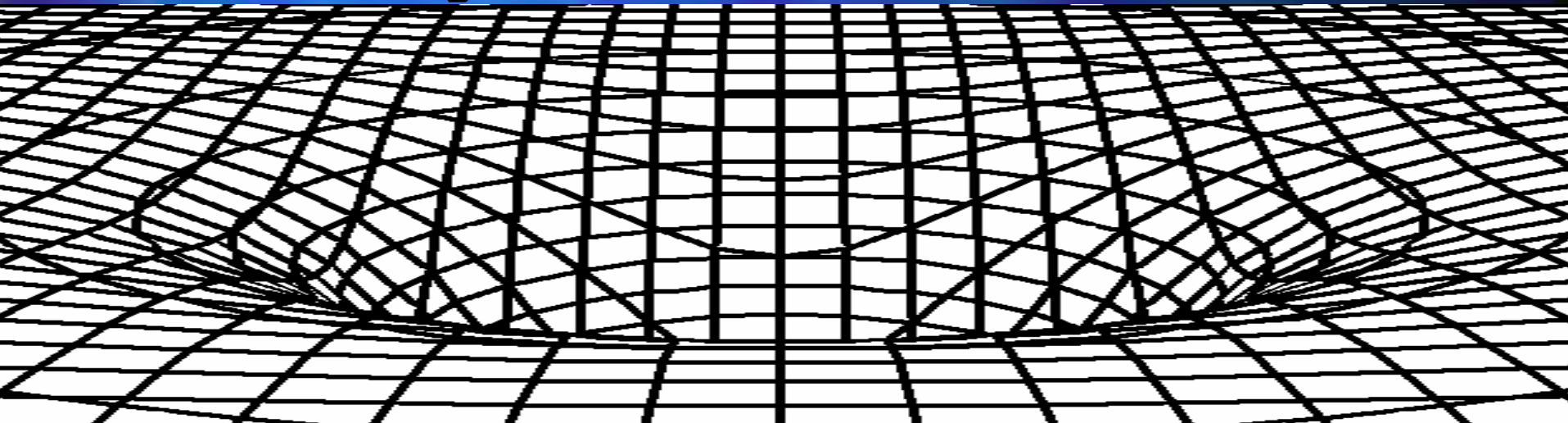
The Effects of Globalization on the Aluminum Extrusion Industry

Part 2: Implications

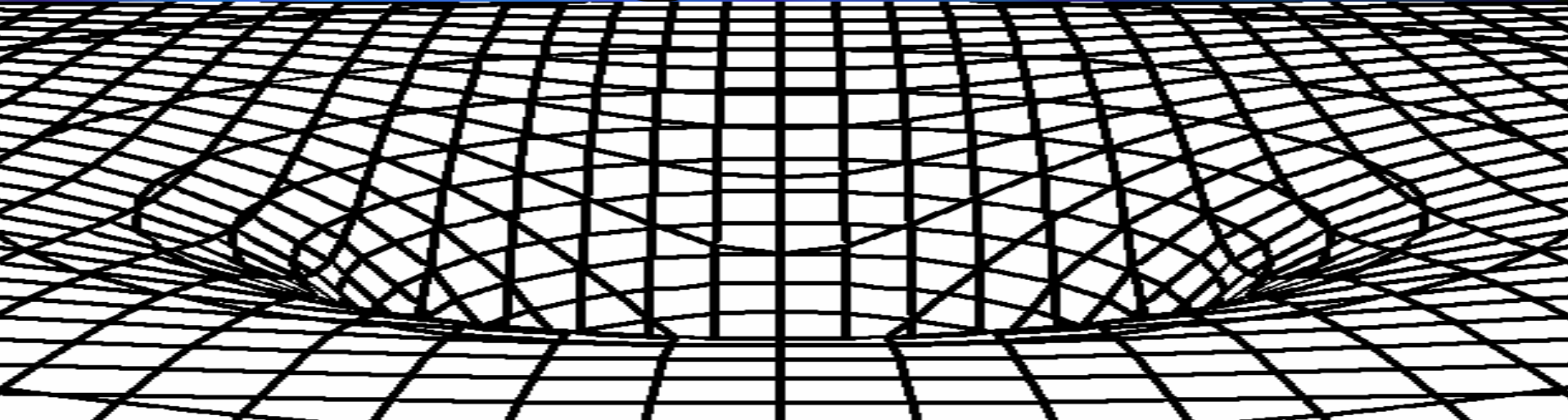
Bruno G. Rüttimann, Alcan Singen GmbH



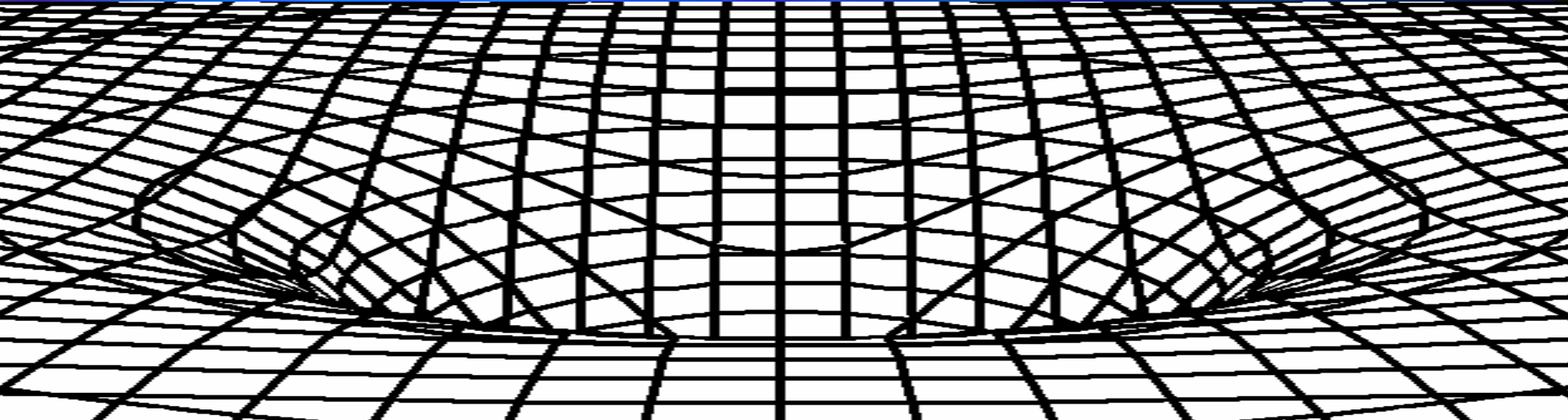
Mergers & Acquisitions



*Trade
Deregulation*

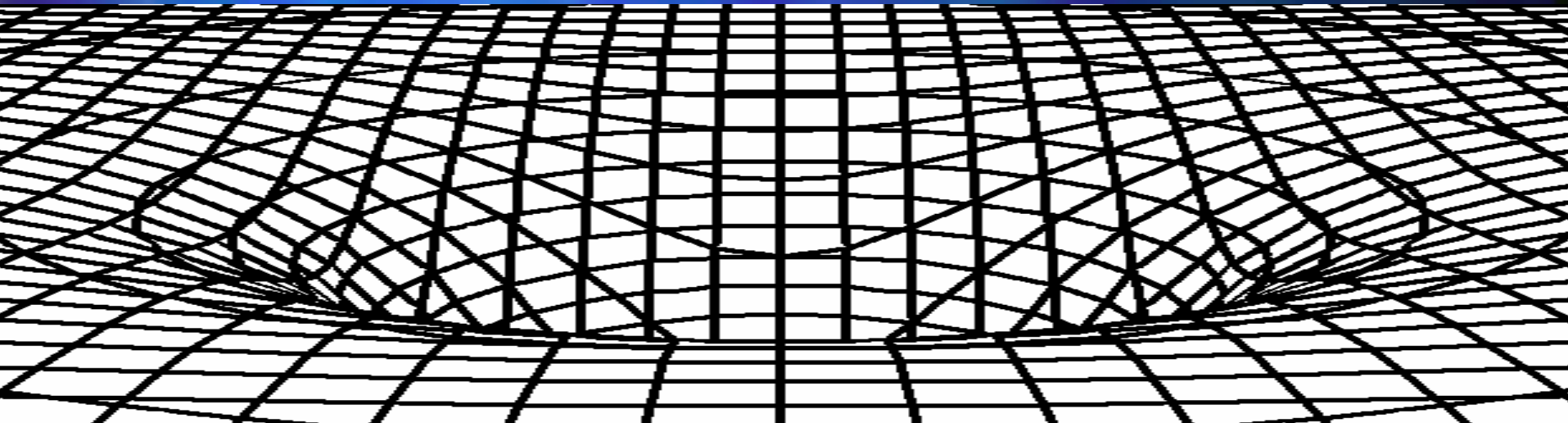


Increasing Competition

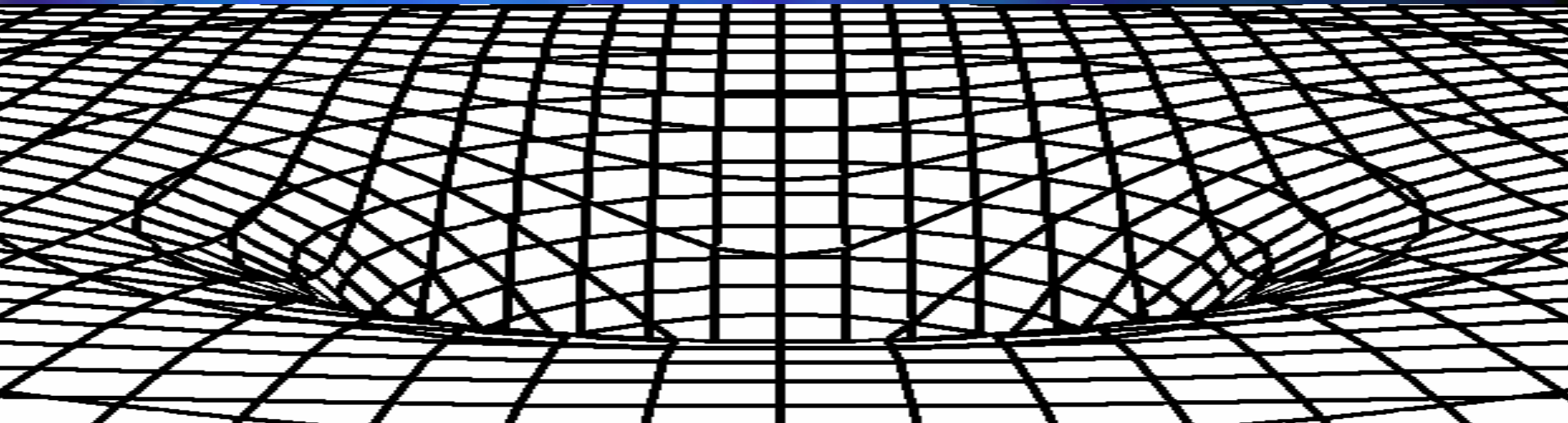


Price

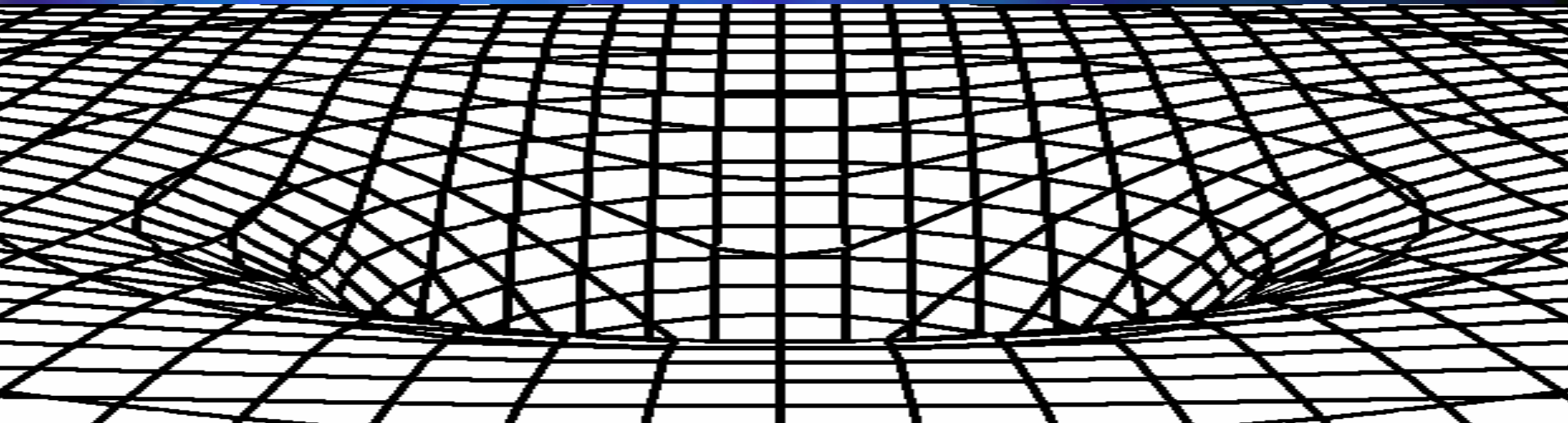
Pressure



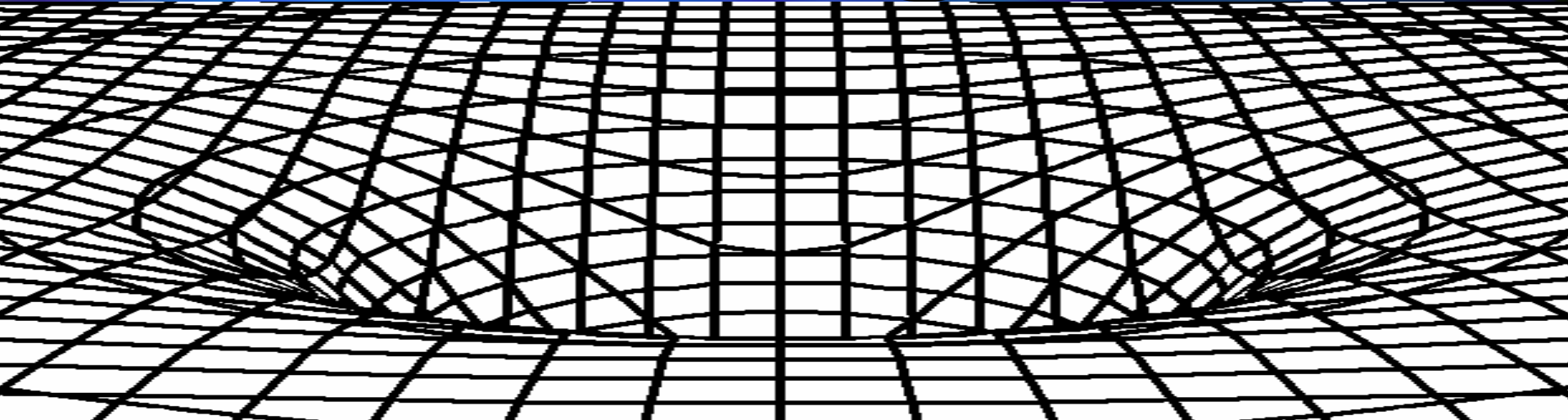
Flow of Information



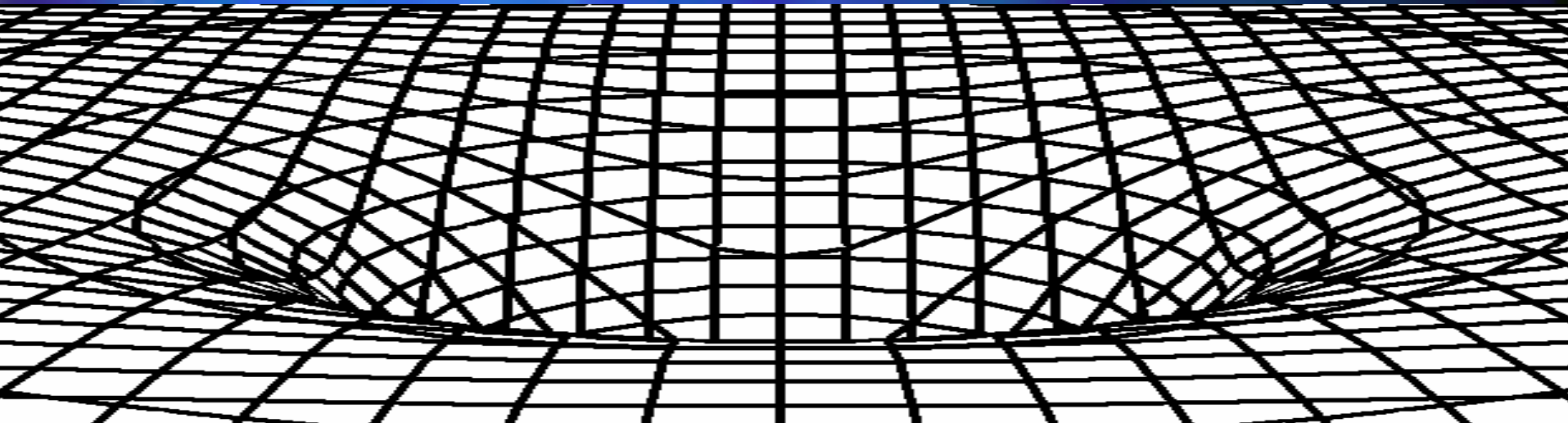
Interlinked Markets



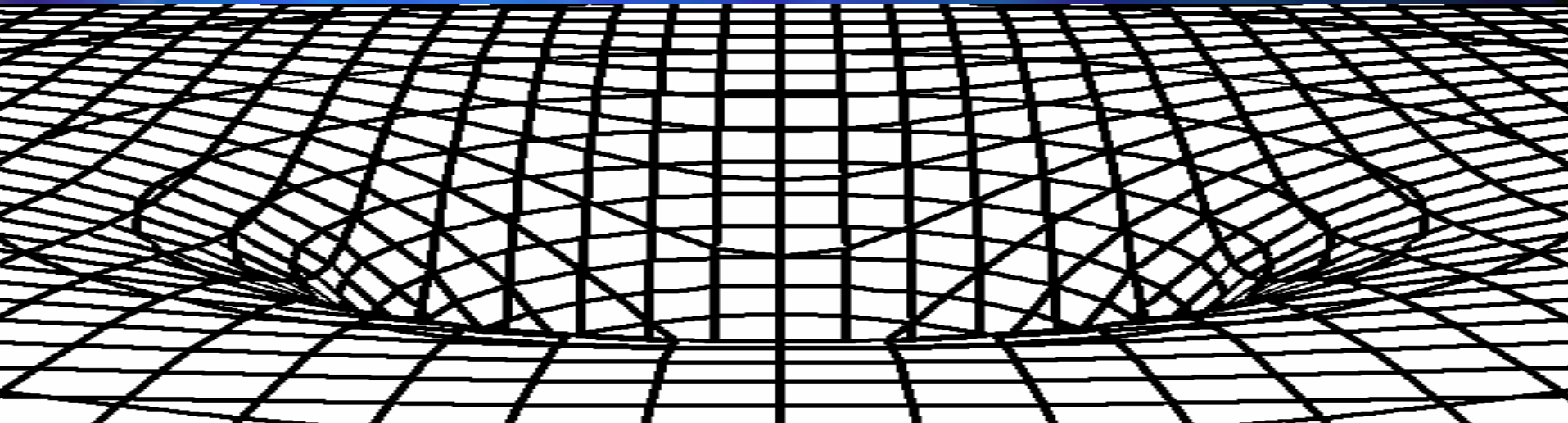
World-wide Strategies



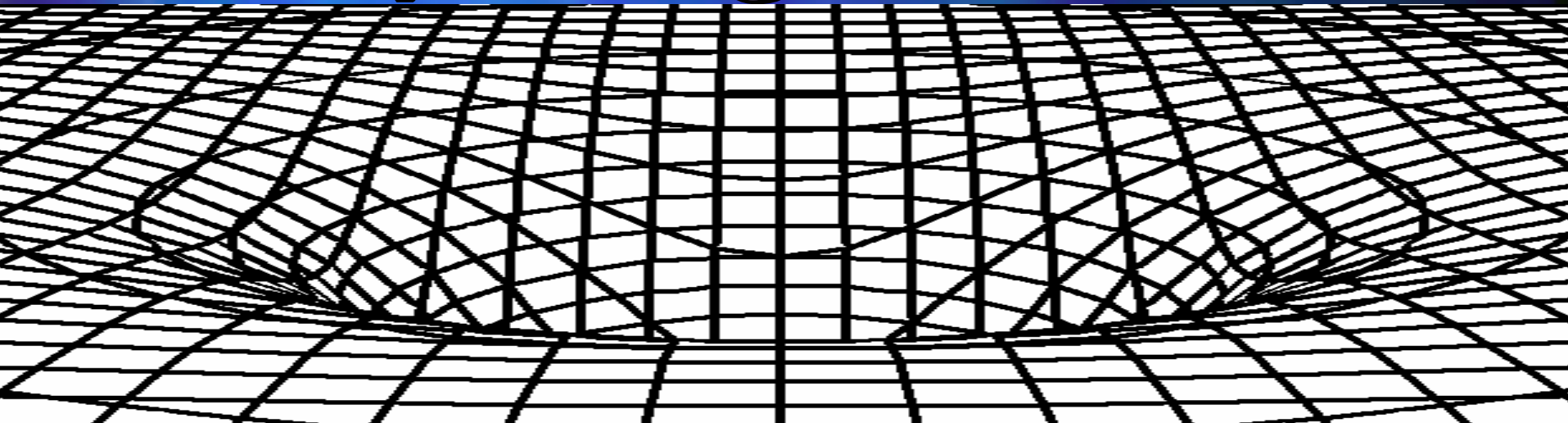
Reduced Growth Rates

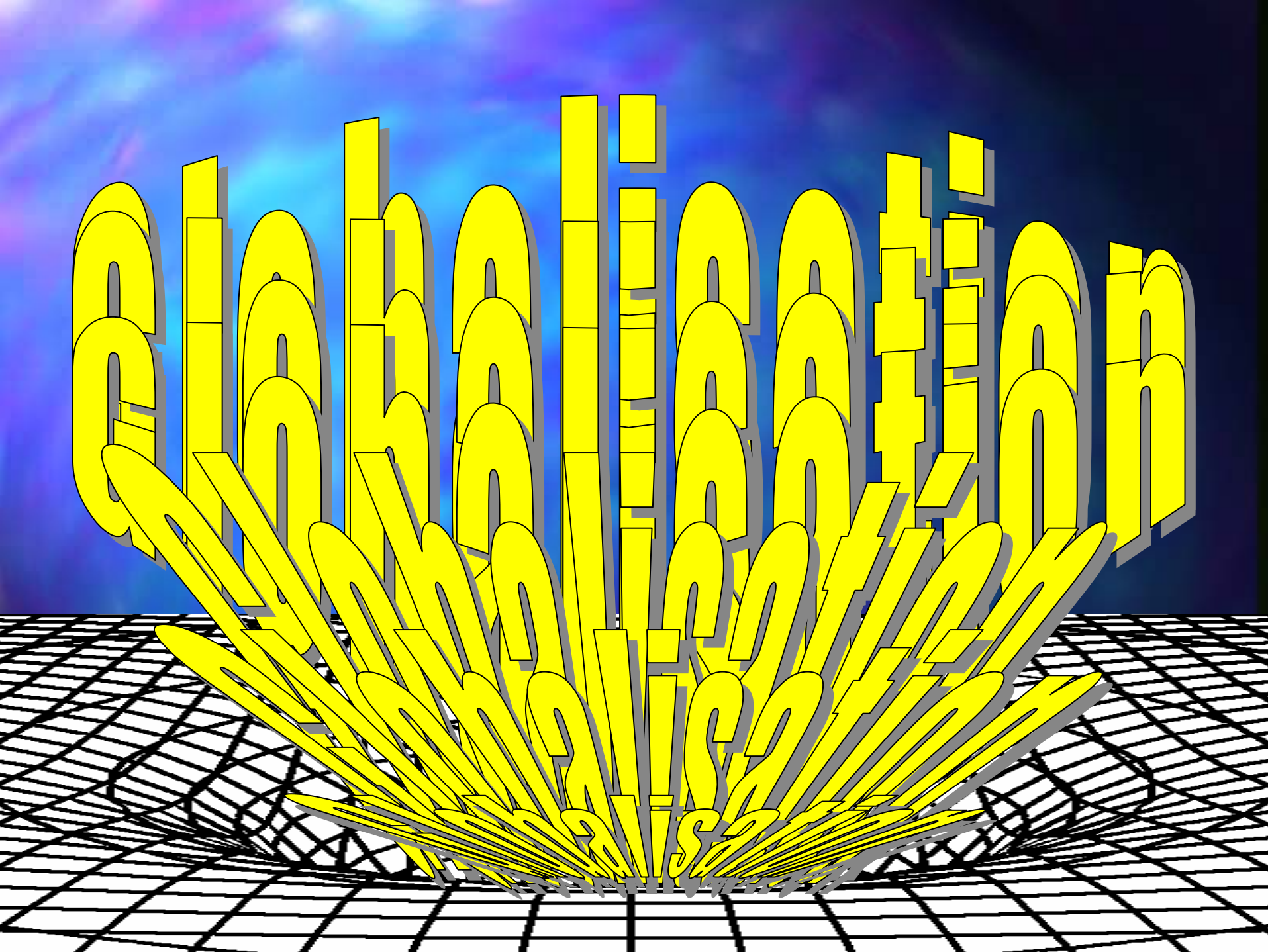


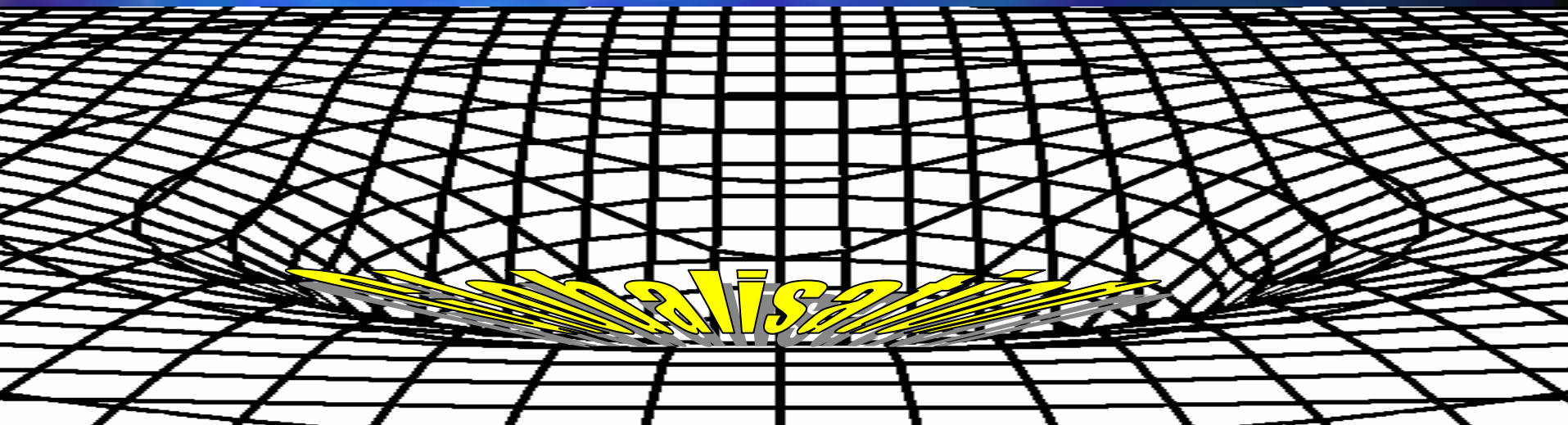
Overcapacity



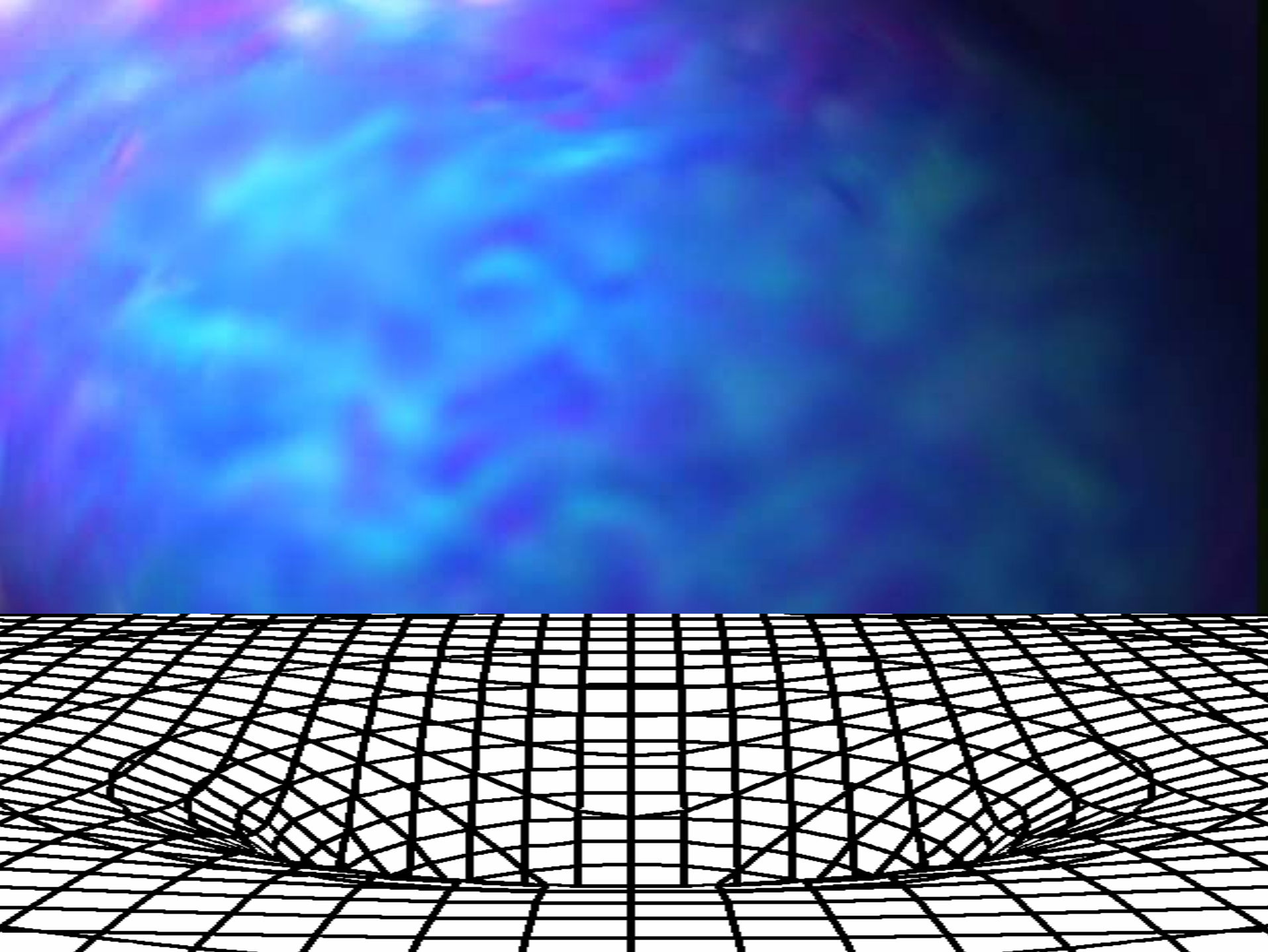
*Un-
employment*







Realis



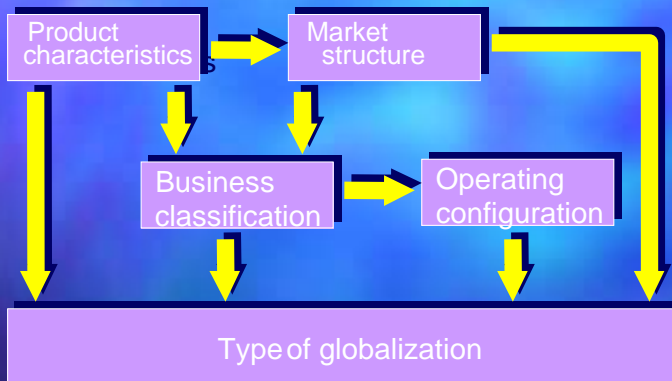
CONTENT

Part 2 (General Session): Implications

- *Summary Part 1: Theoretical Considerations*
- *The Dimension of Globalization*
- *The Emerging New Paradigm*
- *The 10 Extrusion Postulates of Globalization*
- *Restrictions and Strategic Options for Extruders*

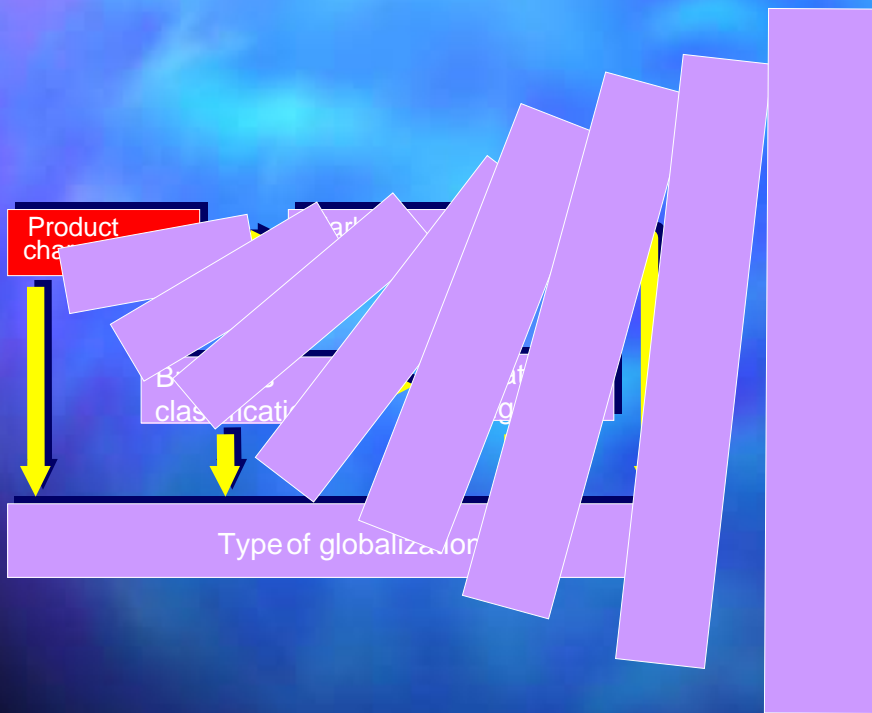
Deriving Typologies of Globalization

Basic classification of business types



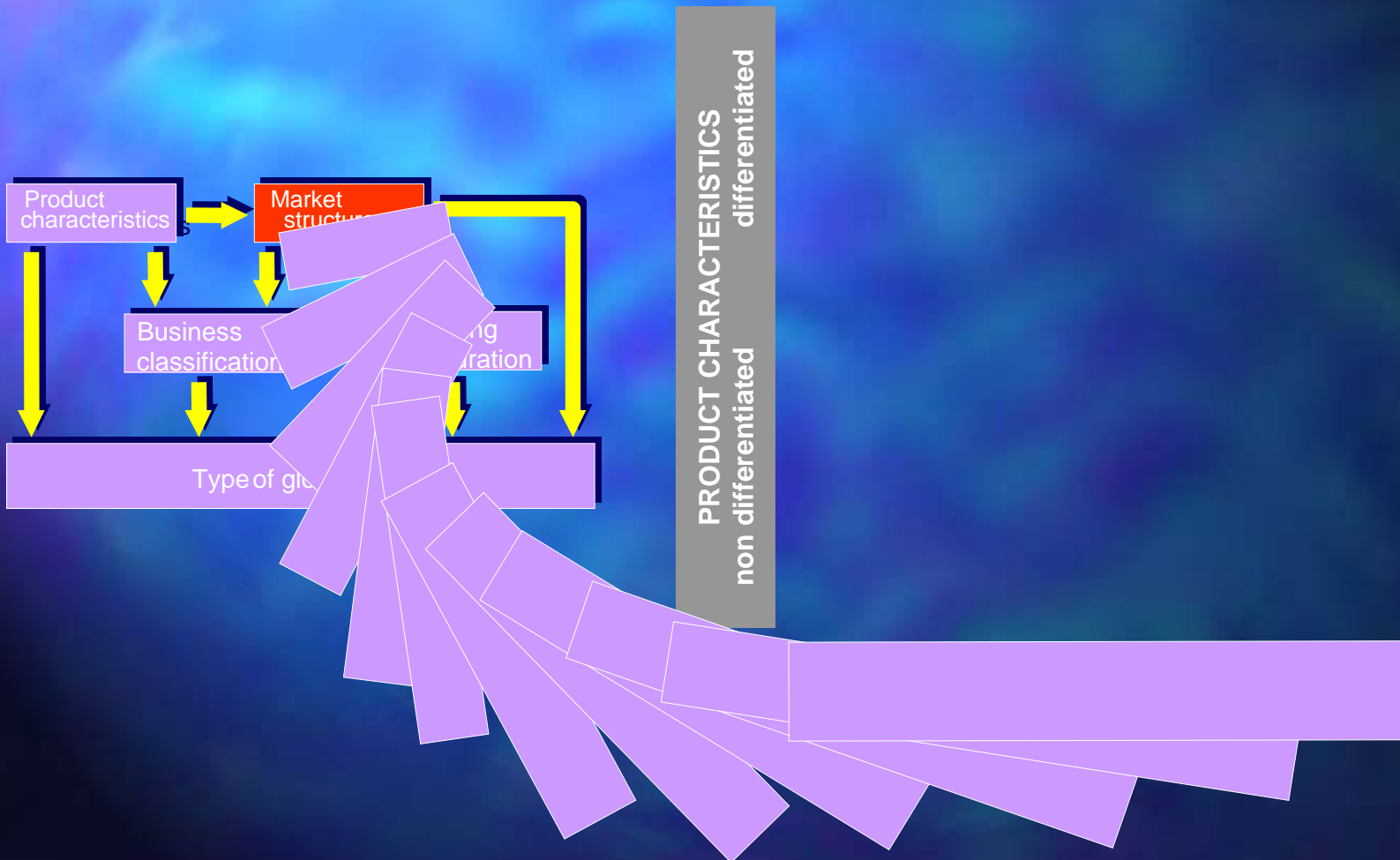
Deriving Typologies of Globalization

Basic classification of business types



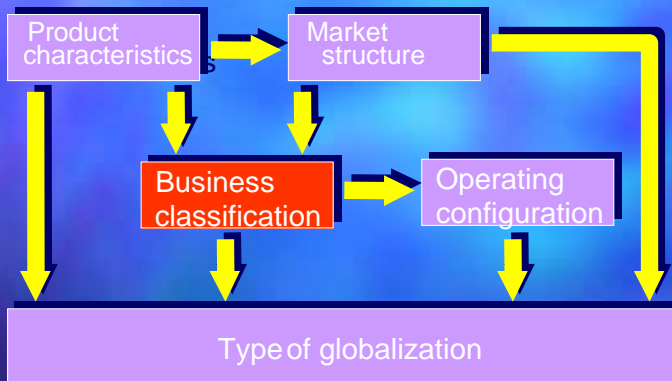
Deriving Typologies of Globalization


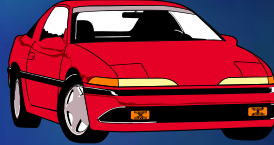


Basic classification of business types



Deriving Typologies of Globalization

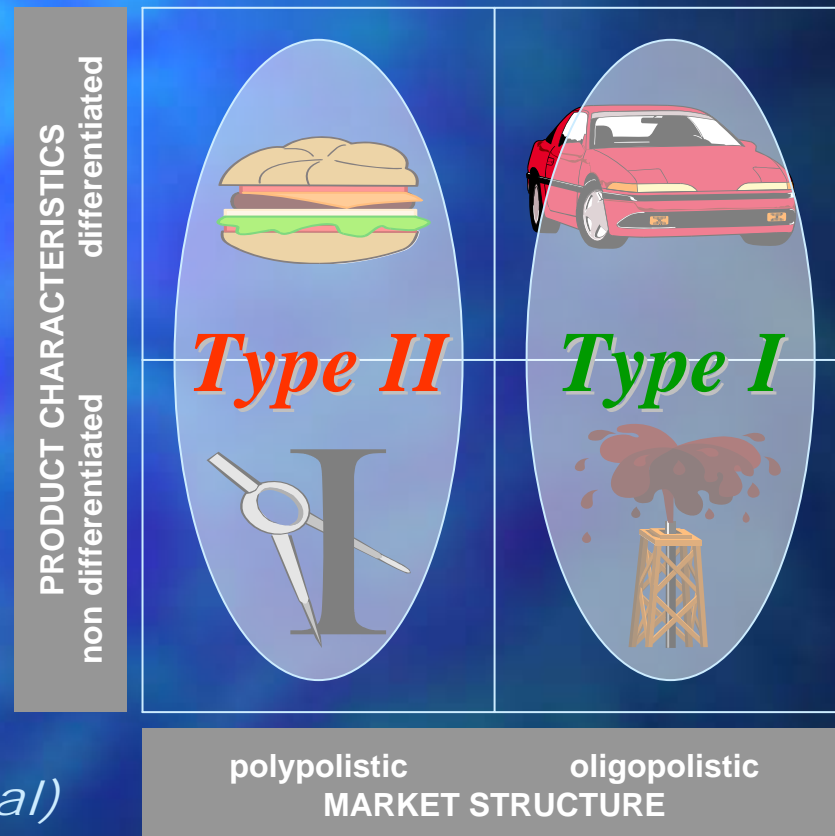
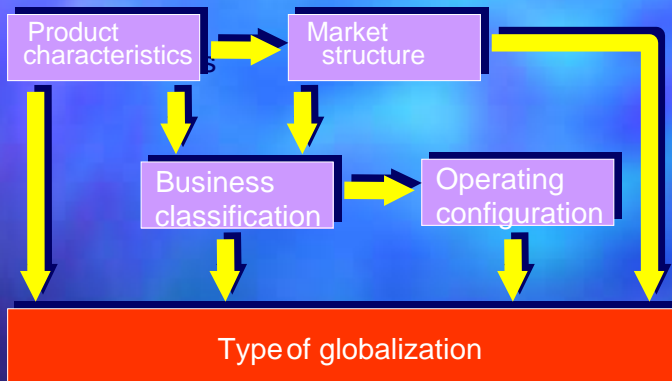
Basic classification of business types



PRODUCT CHARACTERISTICS differentiated non differentiated	 Convenience	 Speciality
	 Standards	 Commodity
polypolistic MARKET STRUCTURE		oligopolistic

Deriving Typologies of Globalization

2 main types

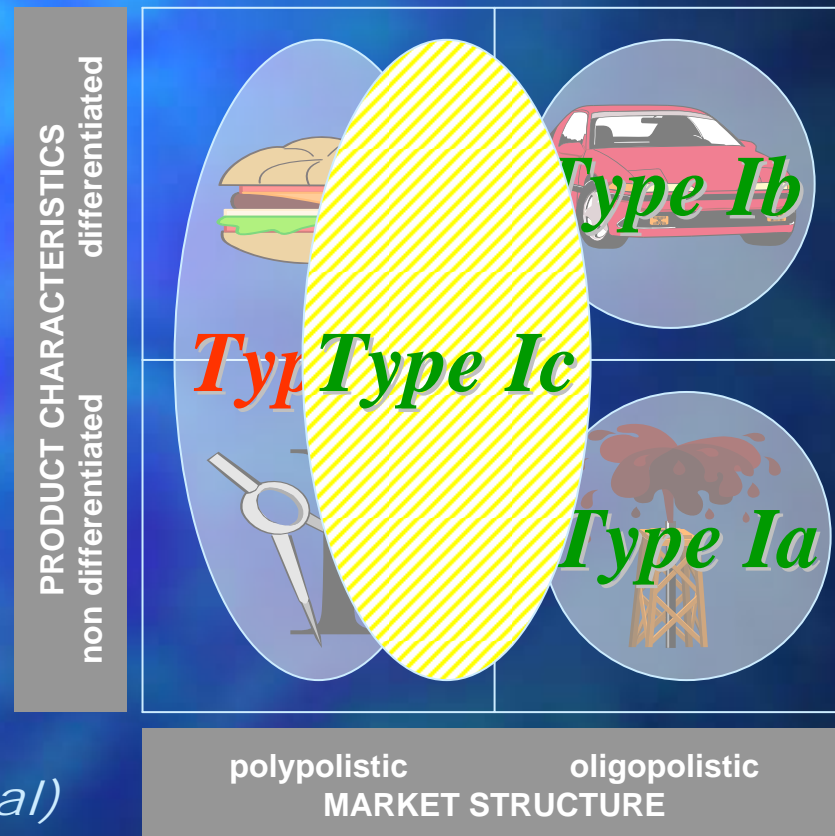
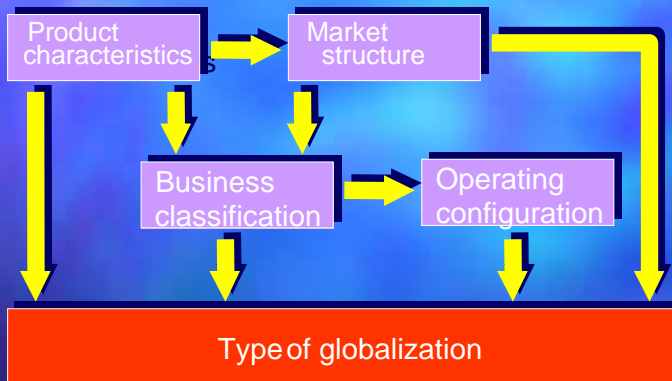


Type 1: material G. (physical)

Type 2: immaterial G. (financial)

Deriving Typologies of Globalization

2 main types

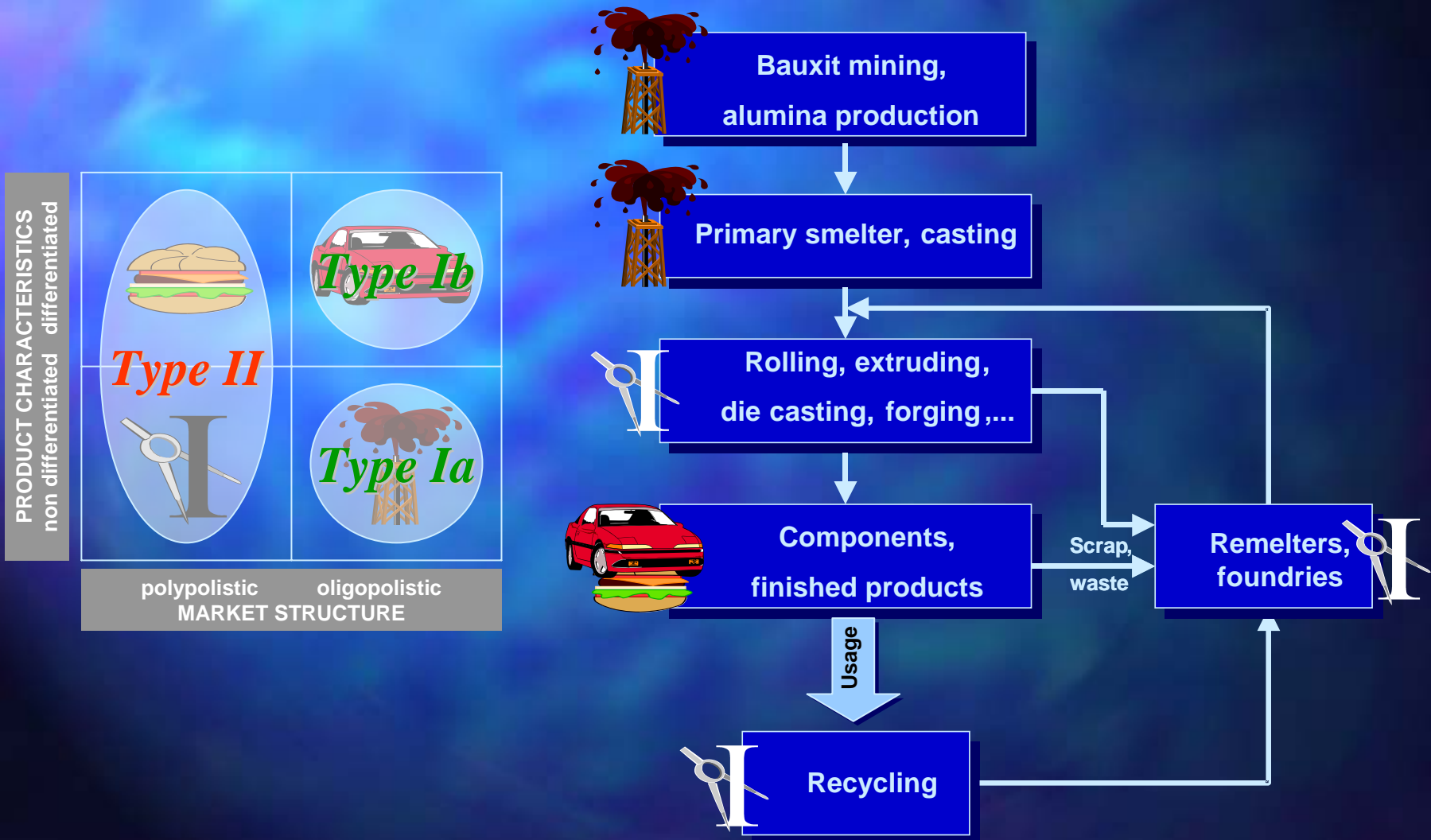


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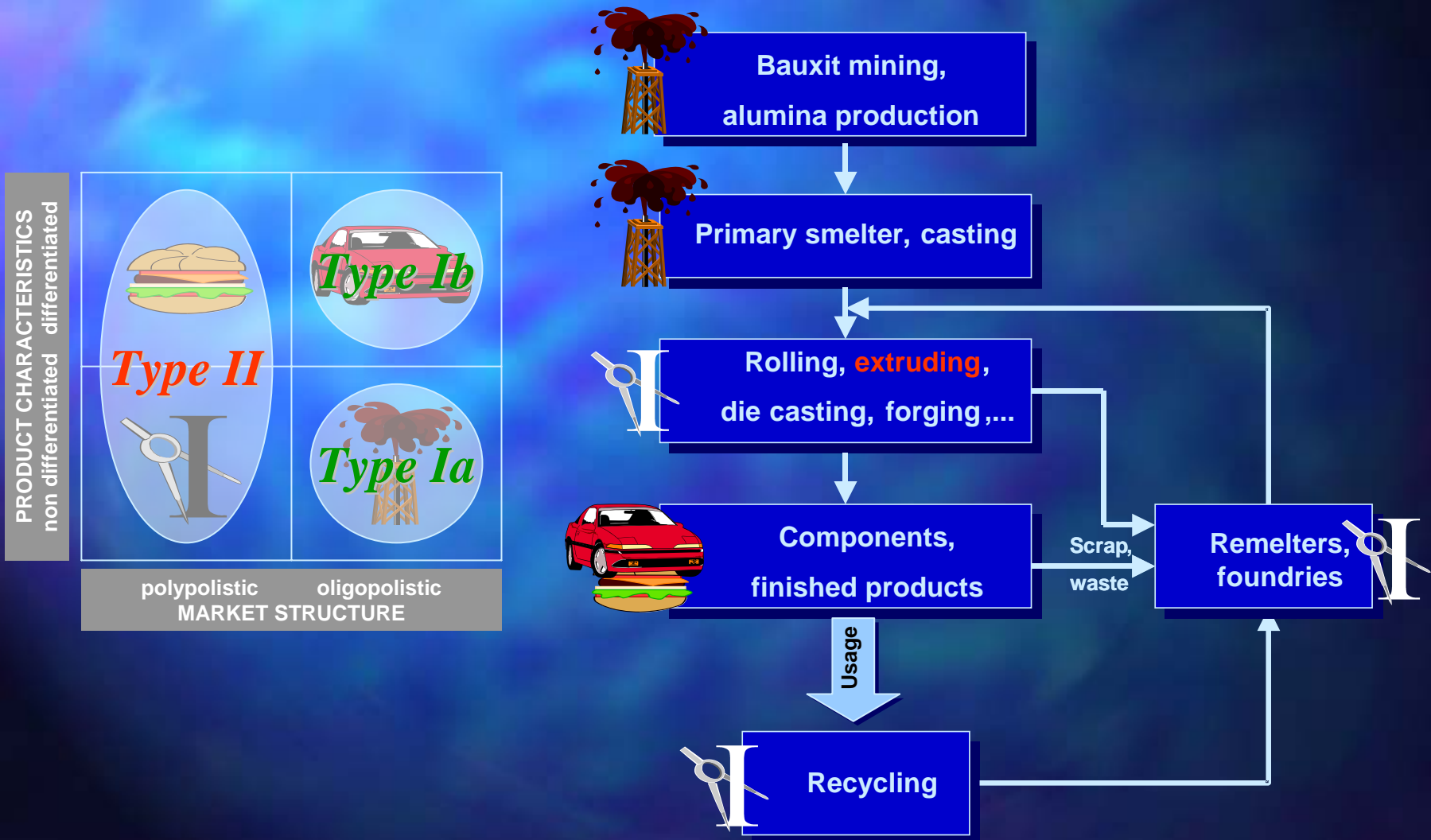
Deriving Typologies of Globalization

Aluminium industry structure and globalization type



Deriving Typologies of Globalization

Aluminium industry structure and globalization type

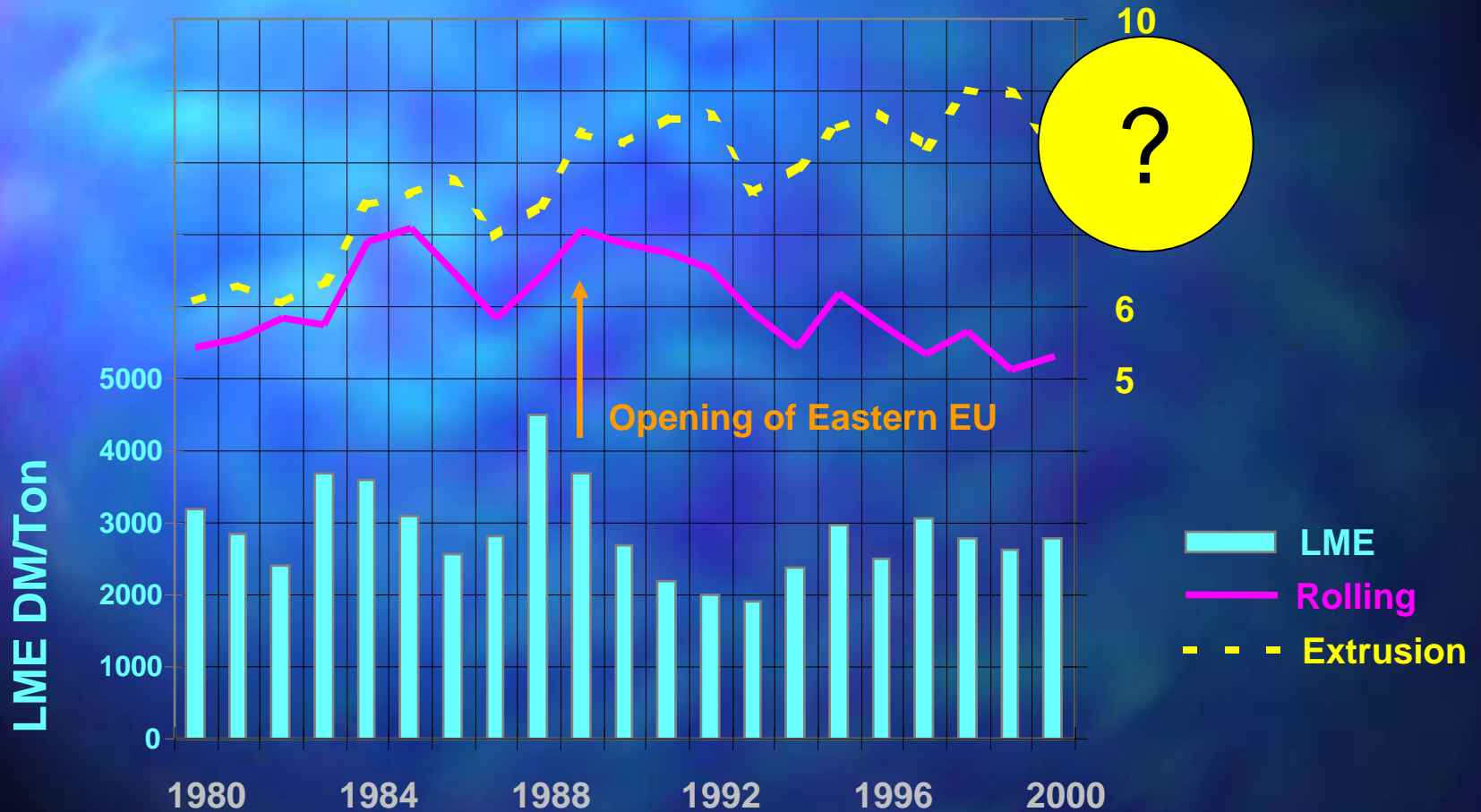


, extruding

ing, forging

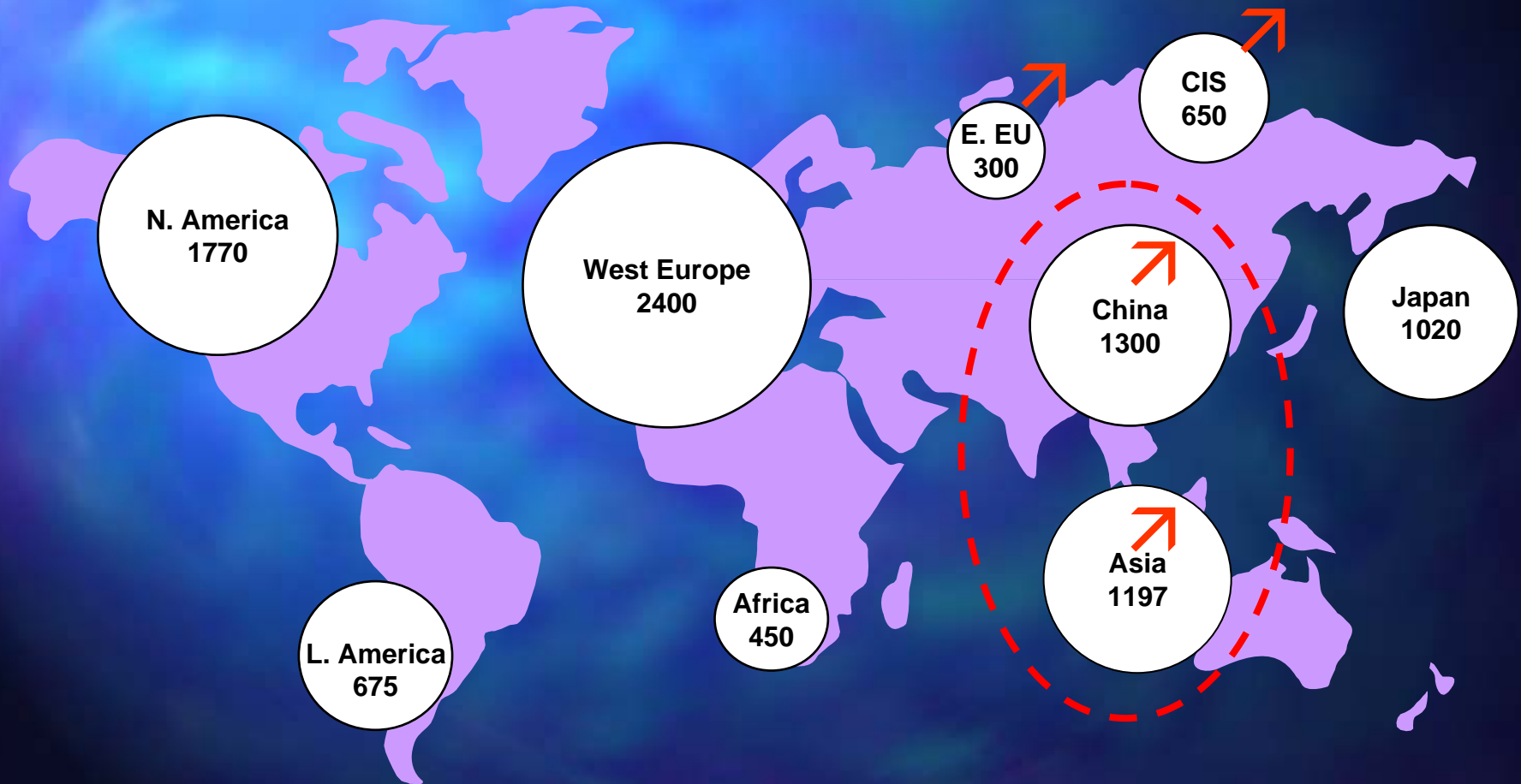
... a Big Change is Occurring

European price evolution of rolled and extruded products



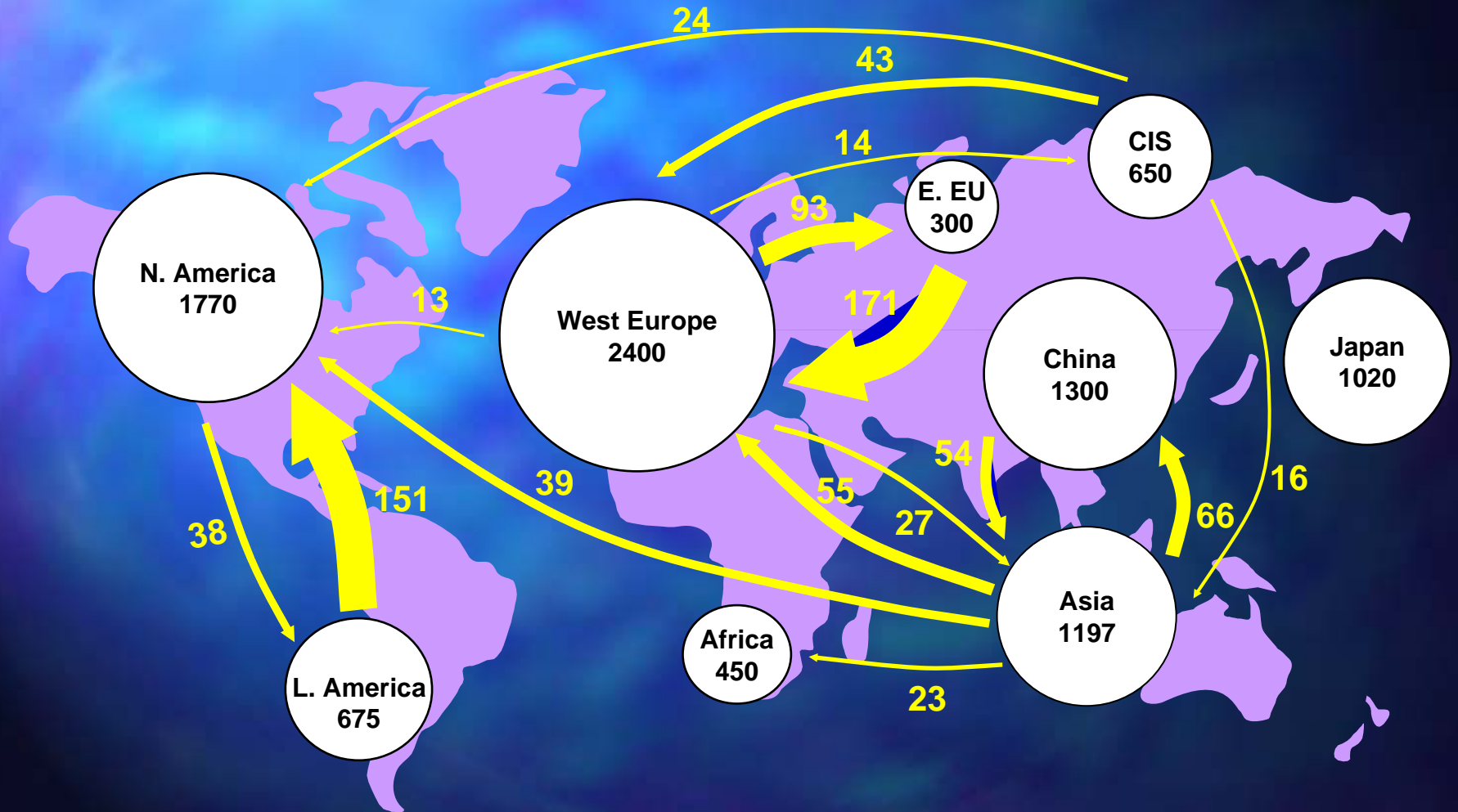
The Dimension of Globalization

Global view of extrusion production in 2001



The Dimension of Globalization

Global view of extrusion flows in 2001



The Dimension of Globalization

Geographical distribution of selected group plants

Group	TOTAL	N-America	L-America	W-Europe	E-Europe	CIS	China	Japan	Asia	Africa
Alcan	5			4	1					
Alcoa	45	17	11	14	1		1		1	
Bonnell	7	7								
Capral	6								6	
Corus	5			4			1			
Hydro	40	10	2	23			1		1	3
Indalex	15	15								
Kaiser	7	7								
Pechiney	9			9						
Sapa	14	2		11	1					
YKK	6	1						4	1	

Source DIAC

The Dimension of Globalization

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Source DIAC

The Dimension of Globalization

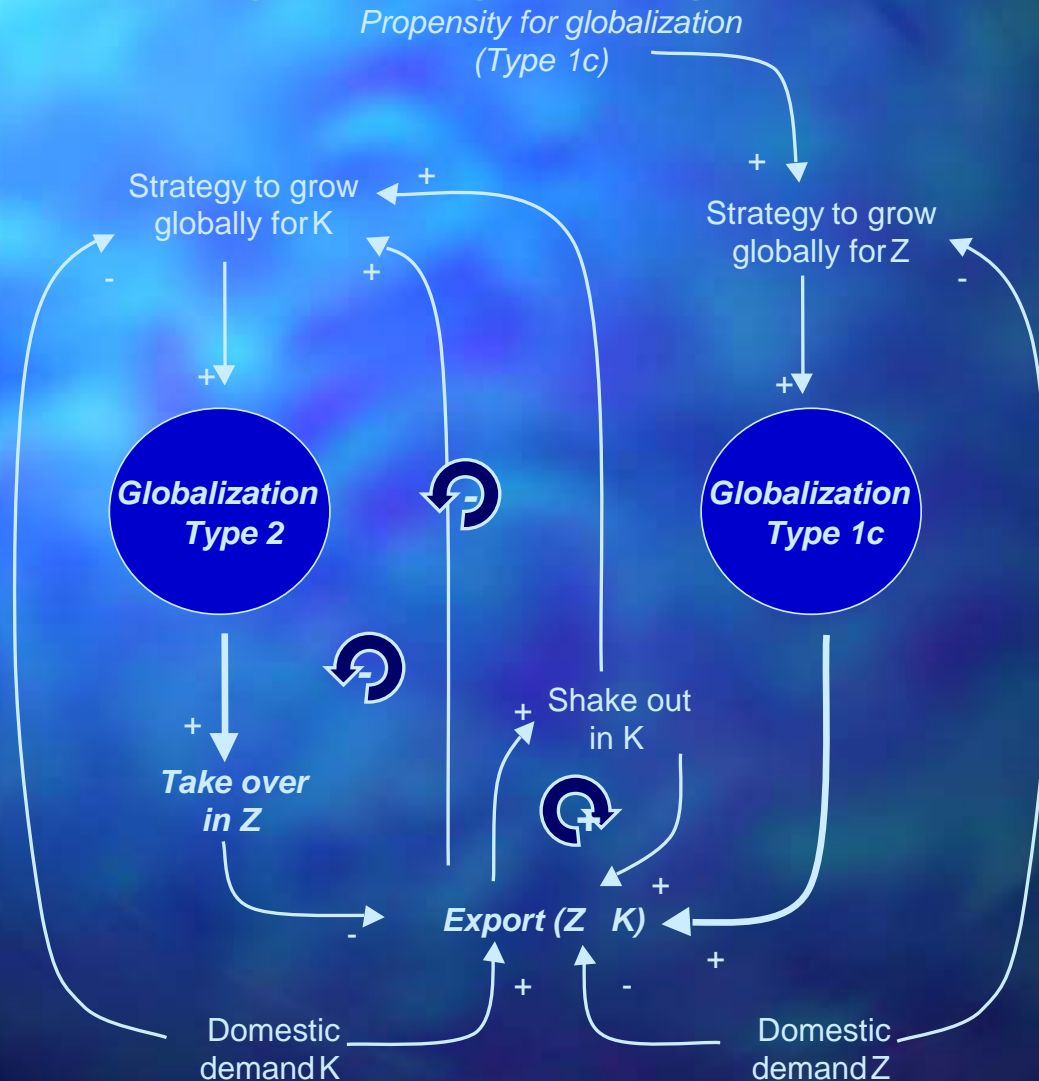
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Source DIAC

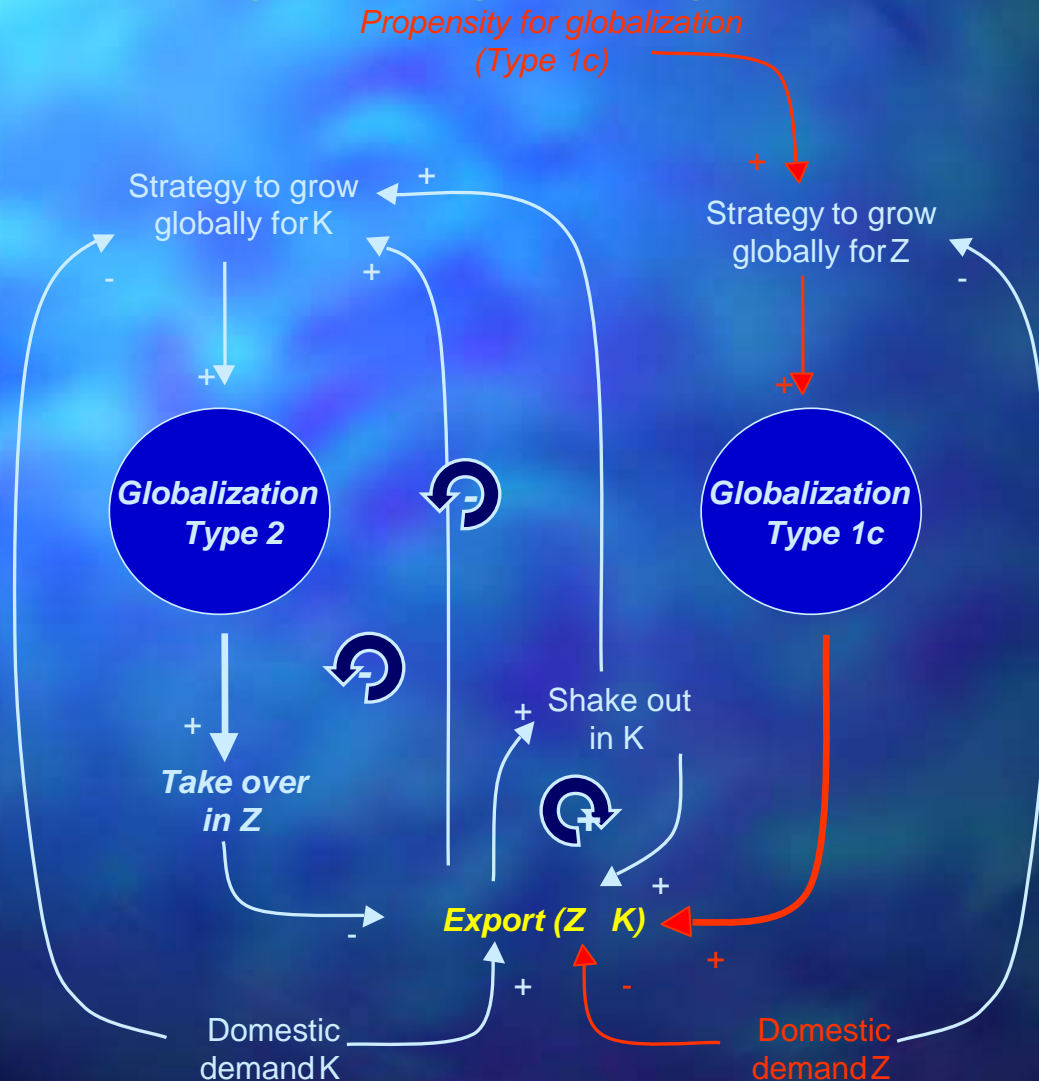
The Emerging New Paradigm

Dynamics of paradigm change in fragmented markets



The Emerging New Paradigm

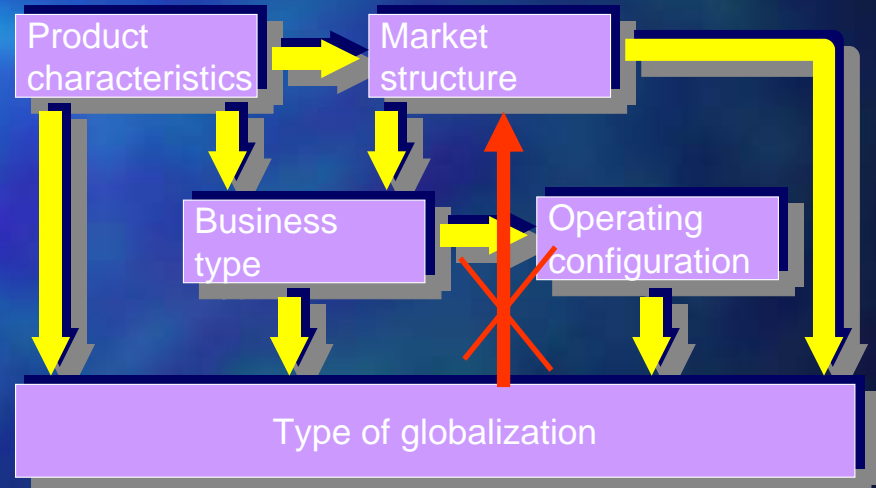
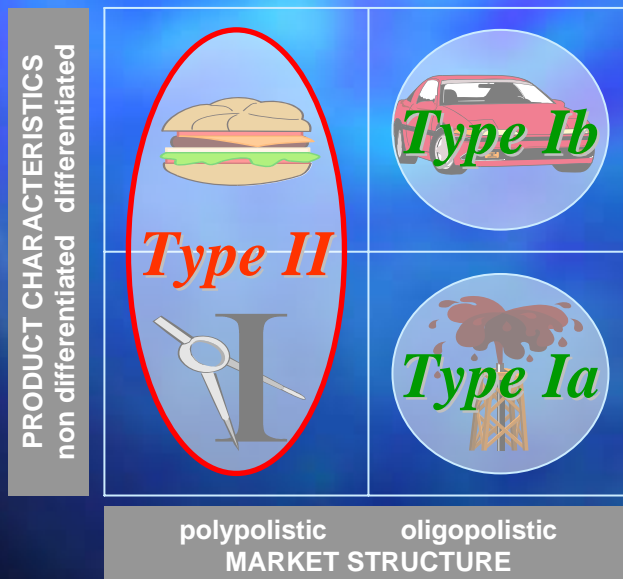
Dynamics of paradigm change in fragmented markets



The 10 Extrusion Postulates of Globalization

Postulate 1

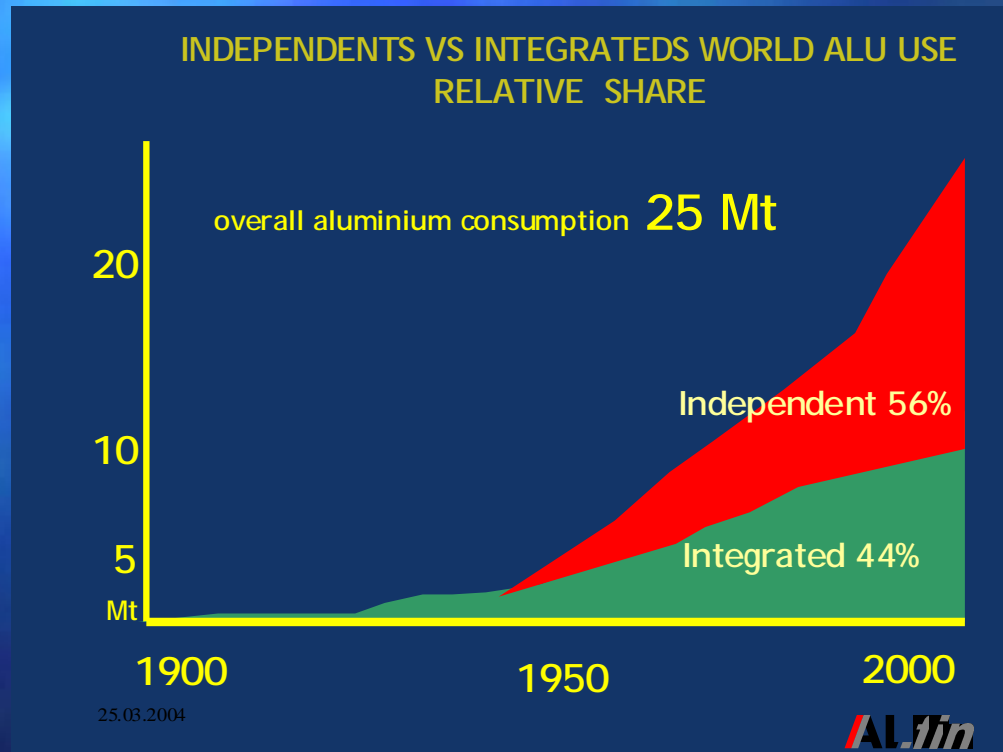
Type 2 globalization will not change the fragmented market structure and its related market rationale.



The 10 Extrusion Postulates of Globalization

Postulate 2

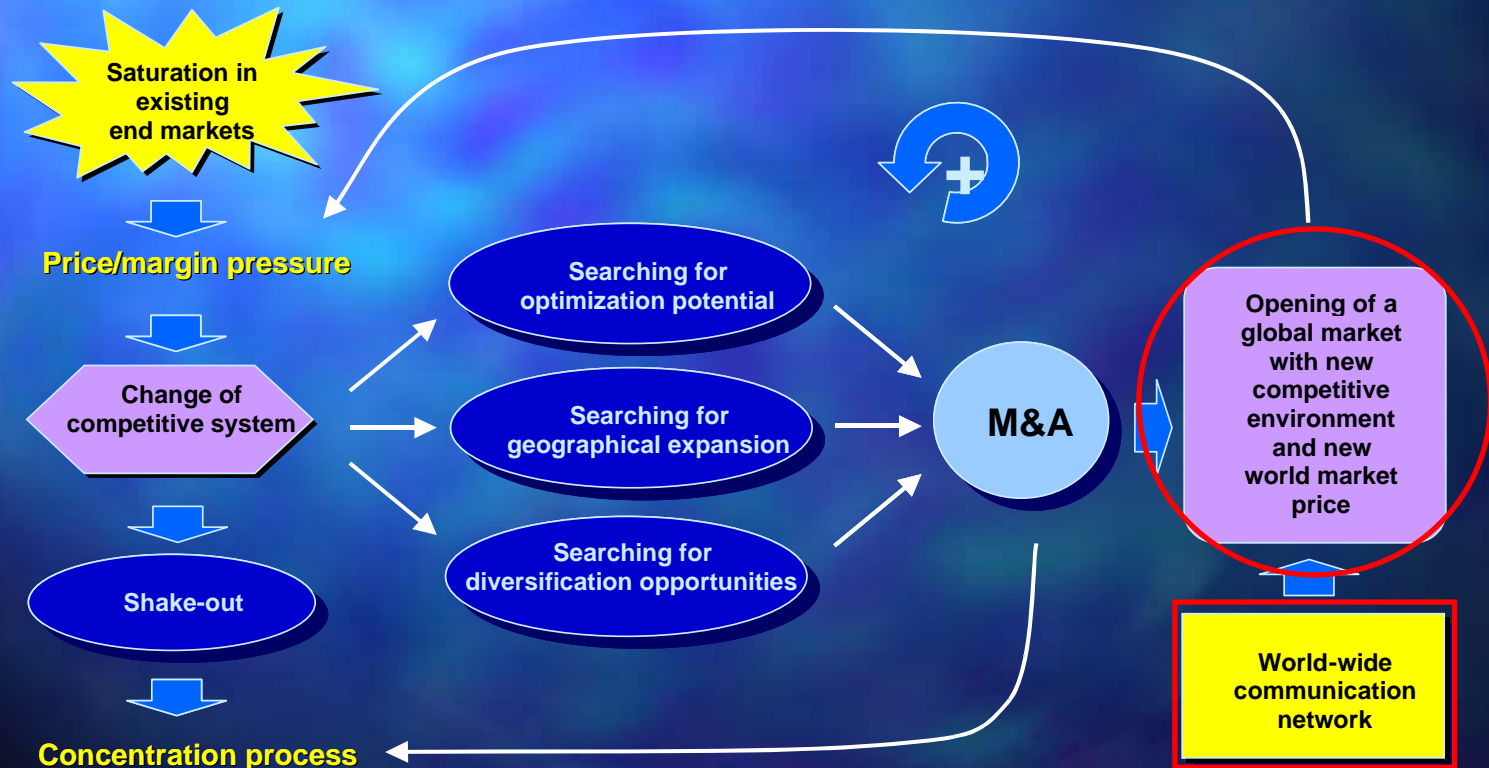
Family-owned independent SME will continue to exist in concomitance of group integrated extruders.



The 10 Extrusion Postulates of Globalization

Postulate 3

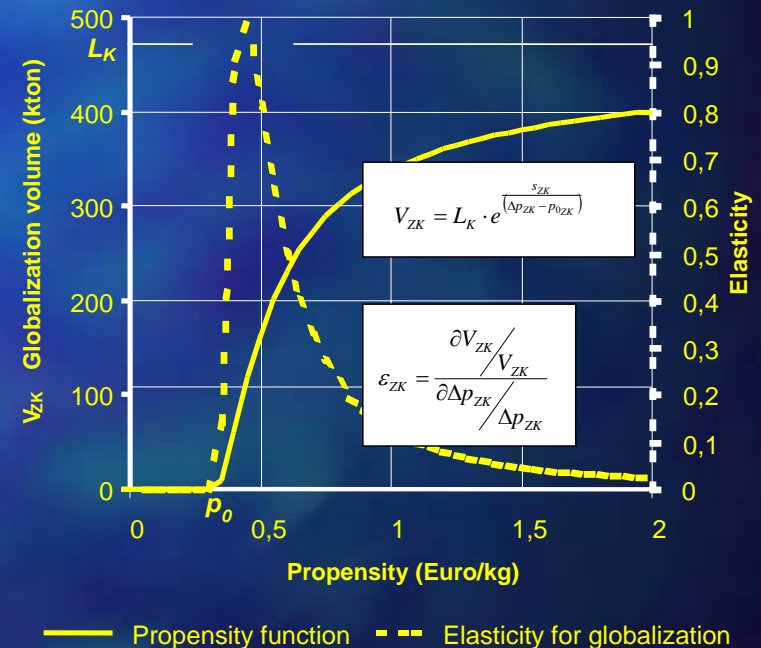
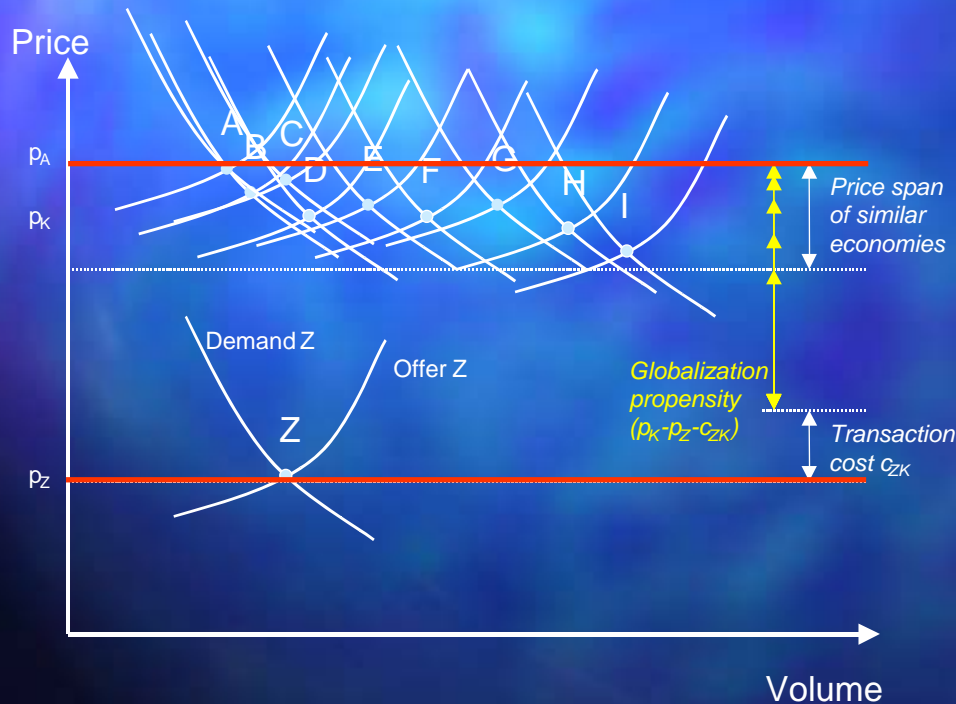
The new opportunity of internet bidding can create the preconditions for a new world market price.



The 10 Extrusion Postulates of Globalization

Postulate 4

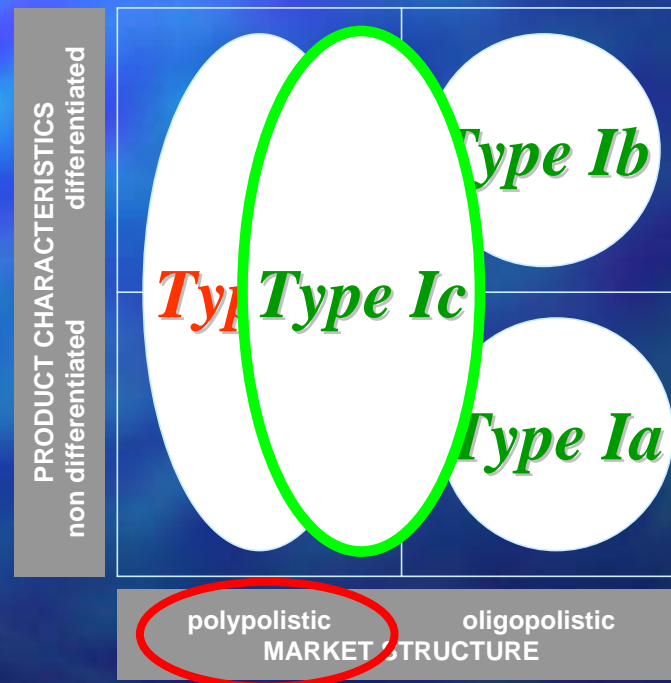
Price difference in different economies will generate a propensity for type 1c globalization.



The 10 Extrusion Postulates of Globalization

Postulate 5

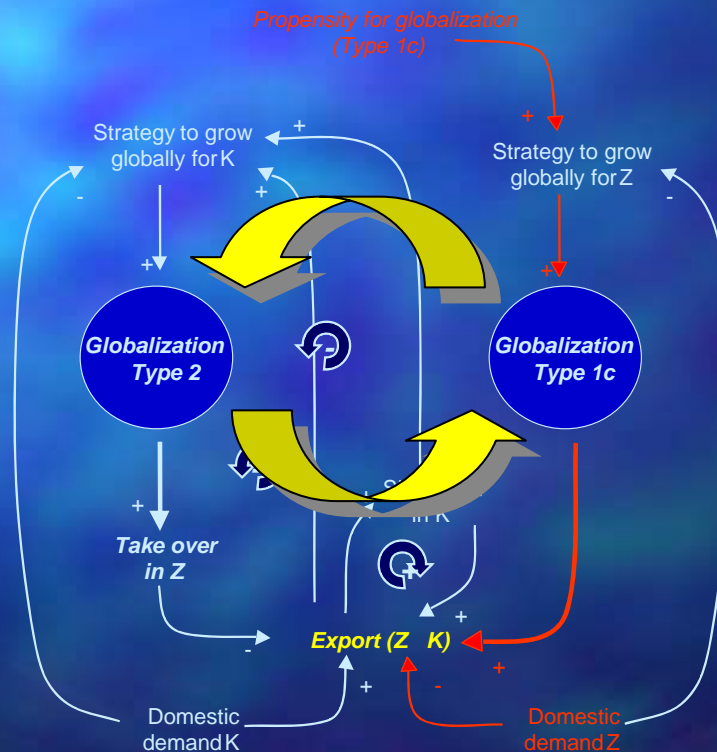
A new eclectic market type is potentially arising with a still fragmented market structure but type 1c world price characteristics.



The 10 Extrusion Postulates of Globalization

Postulate 6

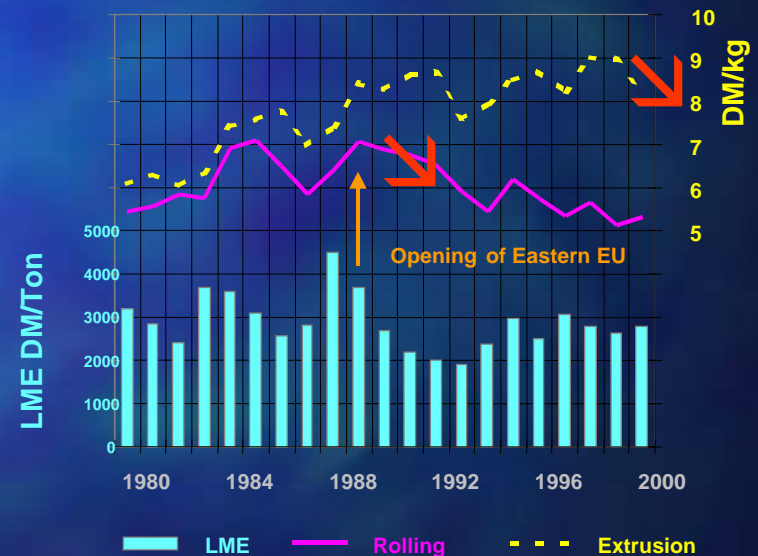
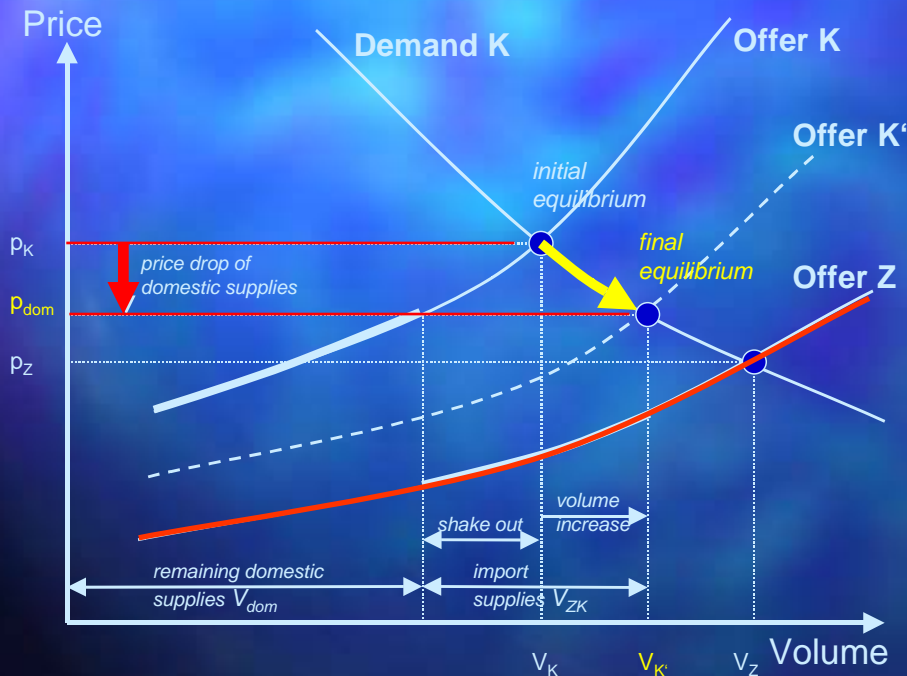
This type 1c is unstable, and has only transient character because of growing overseas demand and shrinking propensity.



The 10 Extrusion Postulates of Globalization

Postulate 7

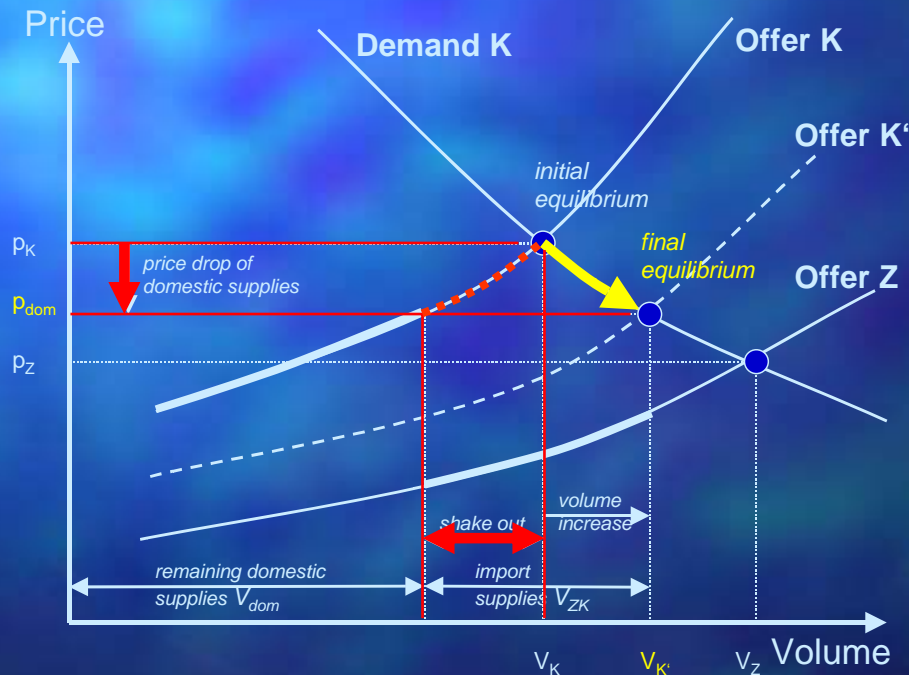
Price level in high-price economies will drop temporarily as long as price differences will exist.



The 10 Extrusion Postulates of Globalization

Postulate 8

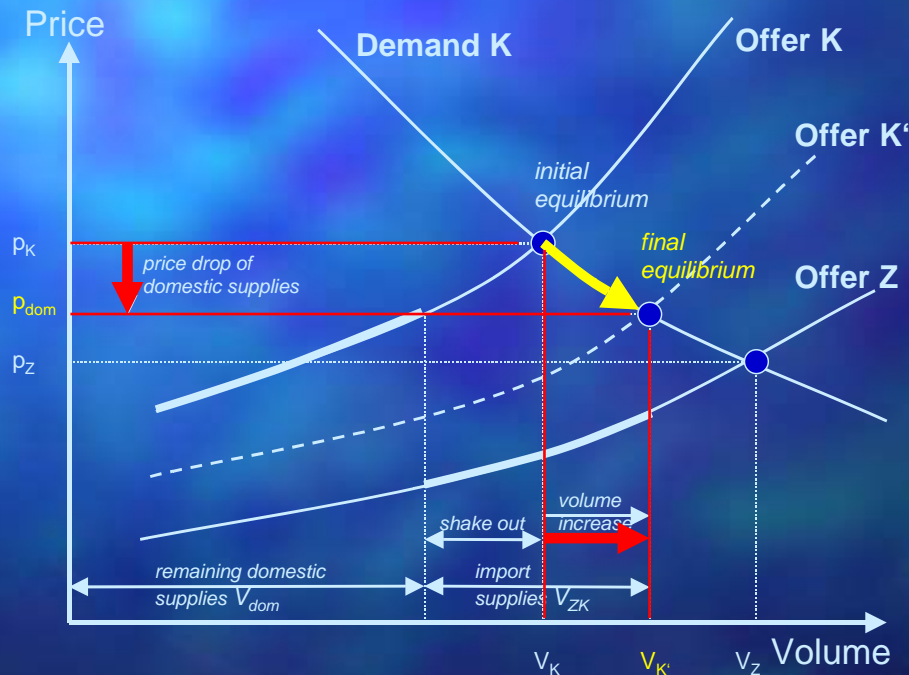
Shake-out of less competitive extruders is foreseeable.



The 10 Extrusion Postulates of Globalization

Postulate 9

Demand will increase due to lower price level and open the access to new applications.



How to Respond

Restrictions and strategic options for extruders

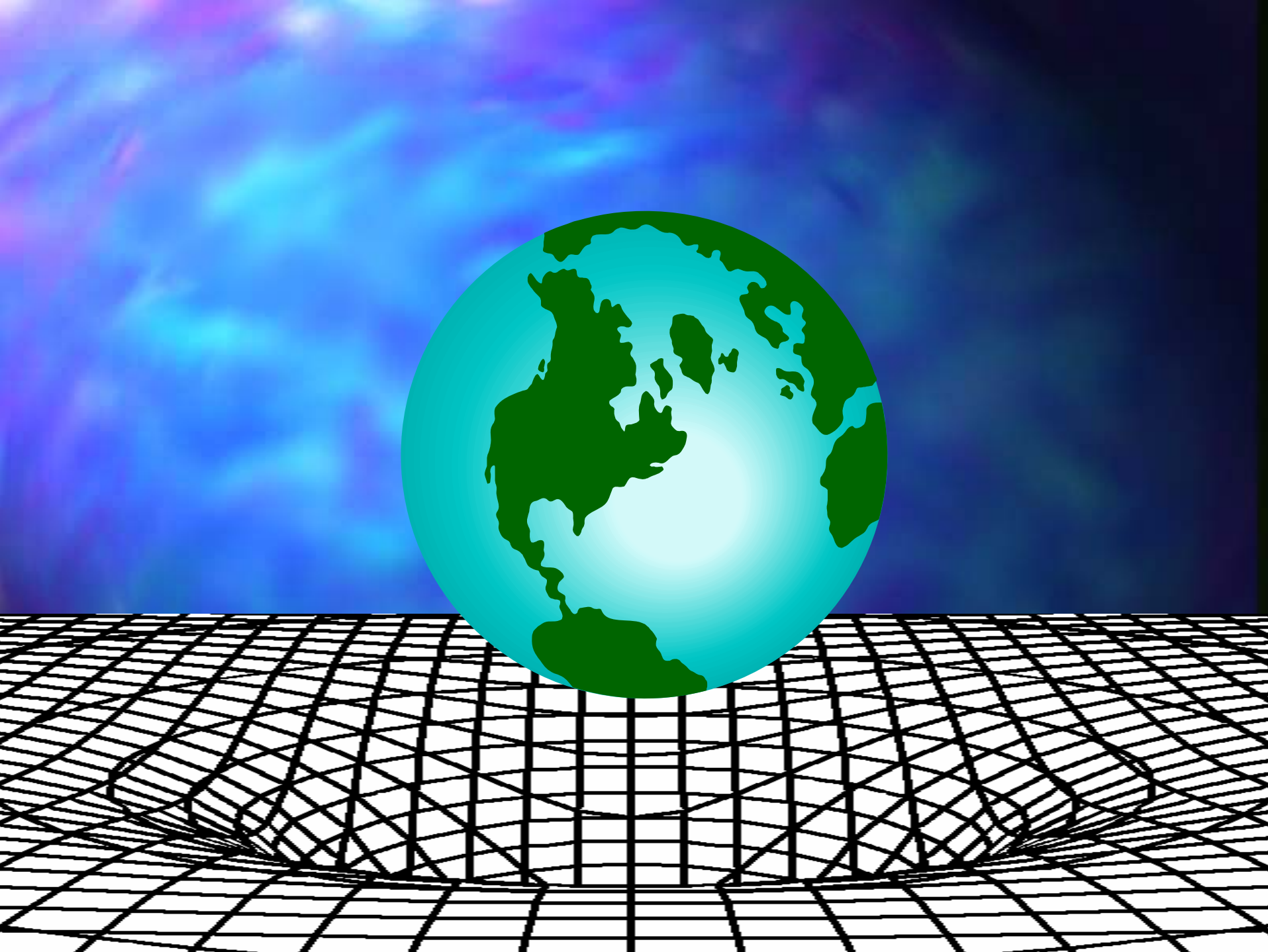
COMPANY TYPE Independent SME Group Integrated	Concentrate on service (cost remains an issue)	Technology or solution driven	X
	Idem	Idem, but exploit specialization within the network	Take over / JV in economy Z
Defend Export Type 2 BASIC STRATEGY ORIENTATION			

The 10 Extrusion Postulates of Globalization

Postulate 10

Extruders situated in high-price economies will have to further concentrate their offer on service or technology based performance.

Innovation



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