

## Which trends offer opportunities on the European pipes and process equipment market?

The trend of ever-increasing imports from developing countries is smoothing, but the market still offers a range of opportunities to exporters from developing countries. Future success is certainly feasible for exporters from developing countries who can offer products that are socially and environmentally responsible and of a good quality at a competitive price. The easiest way to enter the European market is to become a supplier of parts to European manufacturers, as producers from developing countries can offer interesting cost advantages.

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## 1. Increasing importance of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is already of prime concern to large, multinational manufacturers and distributors in Europe, such as distributor Eriks and valve manufacturer Flowserve. Eriks, for instance, aims to have a supplier sustainability code in place before 2020, while [Flowserve](#) has had such a code in place since 2010.

No matter where they come from, companies that are audited by potential customers and found to have failed CSR requirements may get a chance to address the situation. Other companies, which are not paying sufficient attention to labour laws, employee rights and/or child labour issues, may be automatically denied the opportunity to enter the supply chain.

Any European companies with a decent reputation will examine their suppliers' CSR and Human Resources (HR) policies. CSR is expected to become a fundamental (knockout) issue in selection criteria for new suppliers to Europe before 2020. Exporters from developing countries who have implemented a solid CSR policy can use this as a Unique Selling Point (USP). Note that frontrunners in CSR policies are companies from western and northern Europe; in other parts of Europe, CSR can be less of an issue.

### Tips:

Develop and implement a CSR policy, provide evidence to back it up, and market it. Do not wait to be asked, but prepare and offer it directly.

Publicise your compliance to CSR principles in your marketing material (website and literature) for differentiation reasons.

Use your commitment to CSR as a competitive edge.

## 2. Stabilisation of global economy

The global and European economy appear to be getting back to relatively smoother waters after some turbulent years. Although some question marks remain, such as the Brexit situation, the economy in Europe is set to regain growth in the years to come, though at a slower rate than before 2008. The effects of these lower economic growth prospects for Europe on international trade (read: imports) are difficult to predict.

On the one hand, it could lead to lower growth or stabilisation of imports from developing countries, for example because industrial production capacities in Europe will be used more efficiently, which reduces the need for more imports from outside Europe. On the other hand, the demand for competitively priced products from developing countries could get stronger and lead to more imports from developing countries.

The development of European imports of valves, valve parts and pumps from developing countries in the past decade can be seen in Figures 1-3. These figures clearly show that after a dip in 2009, when European imports were badly affected by the financial crisis, imports of valves, pumps and parts are experiencing a steady increase.

### Tip:

In each future scenario mentioned, there are better opportunities for producers from developing countries who are able to supply advanced products. Exporters from developing countries should not compete with each other on price (as they lose out to Chinese competitors on price) but on product quality and characteristics.

## 3. Risk prevention is becoming more important

Risk prevention by process equipment owners has become more and more important in recent years. The increasing focus on liability issues and emission reduction is responsible for this development. In practice, it can be seen from:

- More “European origin” casting, machining and assembly requirements from European customers.
- More and more quality assurance and non-destructive testing required.
- Requirements, legislation and related procedures in some market segments, such as the food and pharmaceutical industry, have got stricter in recent years.
- Stricter requirements from European customers. For example, several large companies, including Shell, have implemented and sophisticated their preferred suppliers database in recent years.
- Extra quality controls by European end customers (entry controls).

All these developments make it increasingly difficult to meet European market access requirements. At the same time, this is an opportunity for companies that already comply with or are trying to comply with the relevant requirements. In addition, it is easier to supply parts rather than finished products to European buyers.

### Tips:

Stay well-informed of European market requirements. For more information about requirements, see our study of [EU buyer requirements on the European pipes and process equipment market](#).

Make use of (European) quality auditors and follow their advice strictly. Be eager to learn and to improve. Examples of reputed auditors are [DNV](#) and [TUV](#).

Offer transparency and be honest about your capabilities. A live webcam application on your website showing your production activity might help as well.

## 4. Growing focus on costs

Customers have increasingly been demanding cheaper products in recent years. This is because of the difficult market situation in the European Union. As a result, the availability of private-label products in the European market has grown. Private labelling is particularly gaining ground in countries without significant domestic production (such as the valves market in the Netherlands). This trend offers opportunities to exporters from developing countries that can offer a viable private-label product or product range to European distributors or producers.

European buyers are only interested in products and parts from developing countries if they are cheaper than products made in Europe; for instance, if there is a price difference of at least 25% or even 30-40% with products manufactured in Europe. This is only the case, however, for labour-intensive products, which are products that need a great deal of machining. Labour costs make the difference.

### Tips:

Benchmark your competitiveness (and landed costs) with players from China, South Korea, Taiwan, and Central and Eastern European countries. Be aware that European producers also relocate to low-cost countries.

Select your most sophisticated products that need a great deal of machining, and focus on these products. The more sophisticated the product, the higher the labour factor in the landed cost price and the greater the interest of European buyers in sourcing from developing countries.

Carry out market research: find potential European private-labelling partners (producers or distributors). Avoid Germany and Italy for private-label activities, as these two countries have huge production capacities available and their private-labelling production mostly takes place domestically.

## 5. Energy efficiency will gain importance

The energy efficiency of processes will draw further attention in the few next years and will increasingly influence the purchasing decision for process equipment. Producers from developing countries that can offer energy-efficient products should use this as a Unique Selling Point.

### Tips:

Expand to include (further) engineering capacity in-house.

Gain (more) knowledge of applications and energy efficiency issues.

Train engineers to offer advice to customers. Use interesting case studies, such as the example provided below.

## 6. Emission reduction will continue

Inaccurate emissions figures have been a cause for concern in Europe. Obviously, this issue has also gained attention within the pipes and process industry. Not only are there concerns for environmental reasons, but also for financial ones. It is clear that controlling emissions will seriously increase in importance in the years to come.

The conditions that minimise emissions from industrial plants are continuously being honed. Emission control is currently also gaining significance in applications such as valves, pumps (in which mechanical seals have to be applied) and flanges. In the chemical and energy industry, emission control is most definitely a "hot" topic. Geographically, particularly in western and northern Europe, significant (and increasing) attention is being paid to emission control. Southern, Central and Eastern Europe will also have to adopt the standards that are already being applied by the rest of Europe.

Most European processing plants and power stations apply the [TA Luft standard](#). This standard not only contributes toward environmental conservation, but also significantly opens up opportunities for the exporter from a developing country to the European market. In the larger European markets, it is considered a "must have". Producers from developing countries who are able to meet the requirements of emission-related standards such as TA Luft or [ISO 15848](#) will definitely have a competitive edge.

The growing attention to emission reduction has also led to a growing focus on non-destructive testing and evaluation capacities at the suppliers' premises. Testing should prove that the products are absolutely safe and leak-free.

### Tips:

Include low-emission products in your production range. In the valves market, for example, bellow seal valves are considered to be emission-free.


Seriously consider adopting the TA Luft standard.


As it is a difficult and rather technical topic to grasp, Business Support Organisations could play a facilitating role in terms of increasing knowledge among exporters. Experts and/or consultants could be invited to do a training session or seminar with your exporters.


Expand to include (further) test-engineering capacity in-house.

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