

What competition do you face on the European market for pipes and process equipment?

Imports of valves from developing countries to the European Union region will show a small growth in the next few years. This trend is the result of the increased openness of European countries towards sourcing in developing countries. Approved Producers Lists (APLs) will remain important in the next years and exporters from developing countries should focus on those companies that don't have such strong supplier selection criteria in place. However, it does not mean that market entry is easy: barriers are considerable and the high degree of rivalry makes competitive pricing elementary.

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1. What are the opportunities and barriers when you try to enter the market?

Entry barriers for complete products are high

There are high entry barriers in place for exporters who want to enter the European market:

- Strict legislation and regulations,
- Image problems in terms of quality for certain developing countries such as Colombia, Peru, China and India,
- Difference in quality demand in Europe: northern Europe requires higher product quality and consistency than southern Europe.

Valves produced for the European market must be designed and manufactured with an emphasis on:

- Low emissions,
- Safety,
- Simple maintenance,
- Ease of operation,
- Long and reliable service life.

Important requirements that must be met are compliance with the Essential Safety Requirements of:

1. the [Pressure Equipment Directive](#) (PED) 97/23/EC,
2. in the case of potentially explosive atmospheres, the [ATEX Directive](#) 2014/34/EU.

Entry barriers for parts are lower

It is less difficult to supply valve parts to European valve manufacturers (through subcontracting) than to supply finished valves to European buyers. In that case, exporters from developing countries do not have to meet the strict product requirements that apply to finished products.

Although parts (subcontract) production can be considered as an easier market access, it does not mean that there are zero chances to sell finished valves in Europe. Take note of the following:

- Putting your own brand in the market is the most difficult market entry in Europe. It is only possible if you can rely on strong financial resources.

- The market for technically advanced valves is less competitive than for commodity-type valves. For example, NORSOK M-650 approved valves of duplex and high alloys are made by only a limited number of manufacturers in- and outside Europe. These manufacturers possess strong negotiation power against their customers.
- A good option to enter the European market is a cooperation agreement with a European valve manufacturer (sell your valves under his label).
- If you try to sell finished valves, go for new projects with no restriction of a specific vendor listing (also called APL). The oil and gas industry and the chemical and processing industries are examples of industries in which vendor listings are common use. Go for projects in industries that do not use vendor listings and thus have relatively low entry barriers; for example, the water and wastewater industry and construction industry.

Tips:

Read more about the European market and its opportunities for developing country producers at the [CBI Market Intelligence platform](#).

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

Consult the [Market Access Map](#) (MAcMAP) of the International Trade Centre (ITC) for tariff information related to your specific product and target country.

Develop a professional website and promote it among your target group. Use it to provide a service to your customer by displaying instruction manuals and guides. Also place your product catalogue on your website. In other words, strive for a professional marketing and sales approach.

Keep track of changes in technical requirements. Contact your country's national standards body (in practice, also the ISO member in your country), which can provide you with information on the standards that are currently under development or are being revised and that may affect your business. The standards body should also be able to give you information on international or regional standards that are under development or revision, especially those that the body is involved in. If information in other regions is required, the standardisation body will be able to obtain the information from its counterparts worldwide.

Discover the opportunities of subcontracting by European valve manufacturers. Promote yourself as a perfect subcontract opportunity to them. Give a clear impression of your production facilities by using photos and video. Impress potential customers, but be honest.

Always consider the presence of patents for your type of valves in target markets. Use a tool such as [WIPO Patentscope](#) for searching patents worldwide.

2. What are substitute products?

Valves are unique products that cannot be replaced by other products. One type of valve could be replaced by another type of valve, or changing quality requirements (material requirements, or finishing requirements) could also lead to valve replacements.

Since valves are unique products, valves demand will remain constant over the years. However, as hand-operated valves continue to be replaced by automated valves, the valves market is forecast to show a growing demand for the latter. This offers opportunities for exporters from developing countries who can supply automated valves.

Tips:

Automated valves engineering requires a different set of engineering skills, but the rewards may be significant. Collaborate with companies that may already possess these skills and that are already manufacturing automated valves.

Examine the trends and developments related to automated valves in your current customer base and act accordingly.

3. How much power do you have as a supplier when negotiating with buyers?

Supplier reduction programmes strengthen buyer power

Large and medium-sized buyers continue to attempt to reduce the number of suppliers (both distributors and producers of valves) from which they buy. Their main aim is to reduce the size and diversity of their inventory, and to reduce their working capital. The few suppliers that remain are only allowed to supply these products that are on the buyer's APL.

Several market segments in Europe are marked by ongoing consolidation, caused by facility closures and sell-offs in the past few years. In practice, this has especially led to strengthening of buyer power for commodity valves.

Generally, the buyer power for both valves and valve parts can be rated as strong. This is because the companies that are buying valves tend to be larger than the companies that are producing valves. The more buyers are considered as 'large accounts' by the valve manufacturers, the more power these buyers have to negotiate prices. Buyer power also varies in different market segments. In market segments that can be defined by 'critical applications', such as the chemical and power generation industry, the power of customers is relatively high.

Tips:

Perform market research; make use of the sources listed in CBI's documents available on [CBI's market information portal](#). Map the European buyers for your valves, find out which of these buyers do not have an APL in place (scan their website, or if necessary call them) and find the distributors who supply to them. Target these distributors.

Exporters from developing countries do not have a good chance to get listed on the APLs of buyers. Therefore, focus on companies that do not have such strong supplier selection criteria.

If you are a new developing country producer to the European market, focus on a limited number of products (for instance your best products) for specific market segments. With this approach, you make maximum use of your strengths.

Focus on market segments with less critical applications, such as the water and wastewater industry. In these markets, buyer power is relatively low.

Supplier power continues to be strong

The principal raw materials used in manufacturing valves are machined castings and forgings (relatively

customised materials), and relatively standard materials such as fasteners. The supplier power for customised materials is strong. However, in case of relatively standard materials, supplier power is low, as they are usually available from a wide variety of sources. In addition, switching costs in moving between suppliers are minimal.

In more than 50% of the relationships with suppliers of customised materials, valve producers from developing countries prefer batch sizes that are relatively small for their suppliers. It means that the position of the suppliers is relatively strong. This is not set to change in the next few years. Exporters from developing countries have to accept this situation, or should take action to counter this situation. Since valve manufacturers from developing countries have a relatively weak position against their suppliers, the main opportunity for them is to secure a continuous supply of input materials.

Note that the power of suppliers depends a lot on the customer-supplier ratio. The smaller a valve or valve parts manufacturer is, the weaker his bargaining power against suppliers.

Tips:

Continually monitor the business conditions of your suppliers to manage competitive market conditions and to avoid potential supply disruptions.

Consider a merger or acquisition strategy and look for merger or acquisition candidates.

Consider a vertical integration strategy, meaning that you strive to acquire your key suppliers. In case you have your own foundry or forge, your power against your supplier may strengthen.

Stay well-informed on trends and developments in the global valves supply and demand situation and act accordingly.

See our study of [market channels and segments on the European pipes and process equipment](#) for more information.

4. Who are your rivals?

Pricing will remain key in the years to come

The European market will remain highly fragmented and therefore competitive, despite on-going consolidation activities in the valves industry in the past years. Only about 2% of European valve companies have sales in excess of €10 million. The main competitive drivers continue to be price, reputation, timeliness of delivery, quality, proximity to service centres and technical expertise, as well as contractual terms and previous installation history.

Taking the economic situation of the past few years and the forecast for the coming years, pricing is and will continue to be a leading influential competitive factor in the European market. Price competition tends to be more significant for original equipment orders than aftermarket services.

An important development among European valve users is increasingly demanding service stipulations. It includes aspects like higher pressures and temperatures, and very high abrasive and/or corrosive services. In addition, low emission valve testing requirements have become a common industry standard.

As a result of this development, some European manufacturers have focused on producing speciality valves for these demanding customers. As a result, these manufacturers have neglected the commodity valves to some extent. According to some experts, if this development will continue, it could seriously hamper the supply of certain commodity valve types in Europe and even on a global scale.

Valves imports from developing countries have grown rapidly

The European imports of valves are dominated by the supply from European countries (see Figure 1). However, the import from developing countries and the rest of the world is increasing more rapidly. As a result, the share of intra-European supply is decreasing, while the import share from developing countries increased from 15% to 17%.

Germany is the largest market for valves suppliers, followed by the United Kingdom and France (see Figure 2). The import from developing countries in 2015 reached €965 million in Germany, €621 million in the United Kingdom and €418 million in France.

The valves import from developing countries amounted to almost €4.0 billion in 2015. Among the developing countries supplying the most are China, India, Turkey and Thailand. Together, they represented 92% of the total European import from developing countries. Figure 3 clearly reveals the dominant position of China. The competition from China is also mentioned by several European industry sources as very strong and even unfair, because of government support to Chinese producers.

Of the top leading developing countries, Vietnam grew the fastest: 21% per year on average between 2011-2015.

The import of valves from within Europe reached €16 billion in 2015. The European supply is dominated by Germany and Italy, as shown in Figure 4. Together, they accounted for 49% of intra-European supply. Interesting to note is the growth rate of German supply. The European import by Germany increased by 5.0% per year, and as a result the import share of German supply increased from 30% to 32% over four years' time.

Tips:

To conquer a position in the European valves market, you have to offer the best in every aspect of the business. Create benefits compared with other suppliers, for example:

- Good price/quality ratio (related to competitive pricing, mentioned below).
- Offering speciality valves, such as knife valves or triple eccentric ball valves.
- Quick response time to customers.
- Offering low total cost of ownership.
- Maintaining quick delivery times.
- Offer quick service and repair times.
- Maintain an experienced technical sales team adapted to the high European sales standards.

Strive for professional marketing and branding of your products which is in line with European buyer expectations.

Price your products competitively when entering the European market. The more common the product, the more competition you will face and the lower your margins will be.

If competitive pricing is difficult for you, focus on speciality items, as the competition is less strong in this segment.

Stay well-informed of trends and developments in the global valves market. Visit trade fairs and

contact your network partners on a regular base to stay up to date on recent trends.

Check our list of top tips on [How to Find Buyers in Europe](#).

Try to benefit from potential availability problems of specific types of commodity valves.


Benchmark your competitiveness (and landed costs) with players from China, India and Turkey, but also with players from European countries such as Germany and Italy. Be aware that European producers also launched production facilities in low-cost countries in the past years.

Define your (export) product strategy, also based on your competitiveness benchmark.


Conduct your own statistical trade analysis at [Trademap](#).

Please review our [market information disclaimer](#).

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