

THE DISTRIBUTION: A MAJOR ACTOR IN VALUE CREATION IN THE TILE UNIVERSE



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From 01 October 1990 to 30 June 2003:

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Tiles have increased their presence in the market over the last 15 years, but have seen their value lowered over the years.

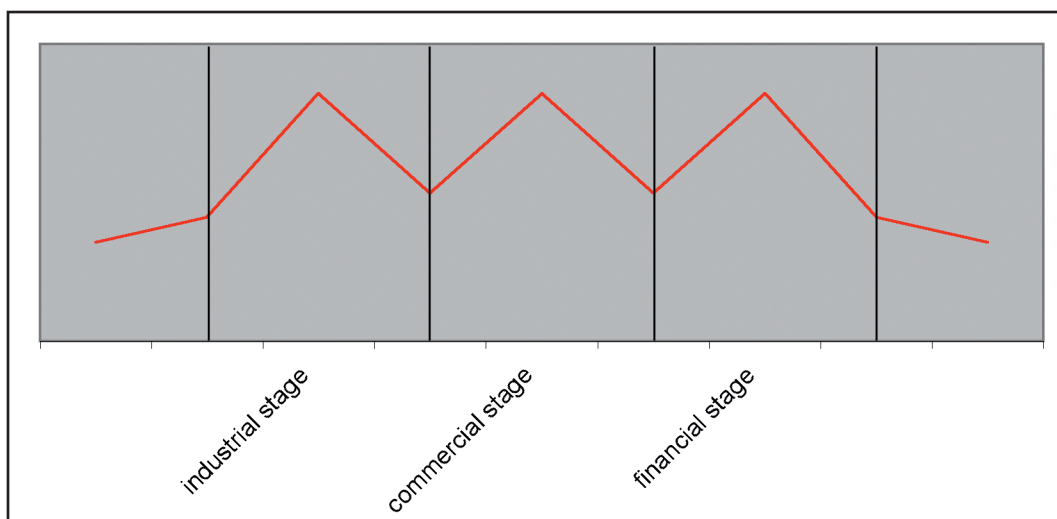
In France, for example, consumption has increased to 10 million sq. m during this period, while the market has lost 50% of its value. Germany has shown the same trend and all the other countries have followed suit.

What was the price of a 30 x 30 single-fired tile in 1990? And what about this today?

What was the price of a salt-and-pepper porcelain tile in 1990? And what about this today?

How did we get to this stage?

At that time, the Tile business was undergoing a sinusoidal cycle, alternating positive phase and deterioration, and both have led to the current state.



After an initial period, the industrial stage of extensive upgradings allowed growth and value creation in industry.

Main innovations:

- single fire
- fast fire

A strong, cut-throat competition and multiple investments degraded the price of the products born of innovation, as years went by. This endemic disease gradually spread and became worse later.

The arrival of the glazed porcelain tile innovation did not generate an adjustment in tile value.

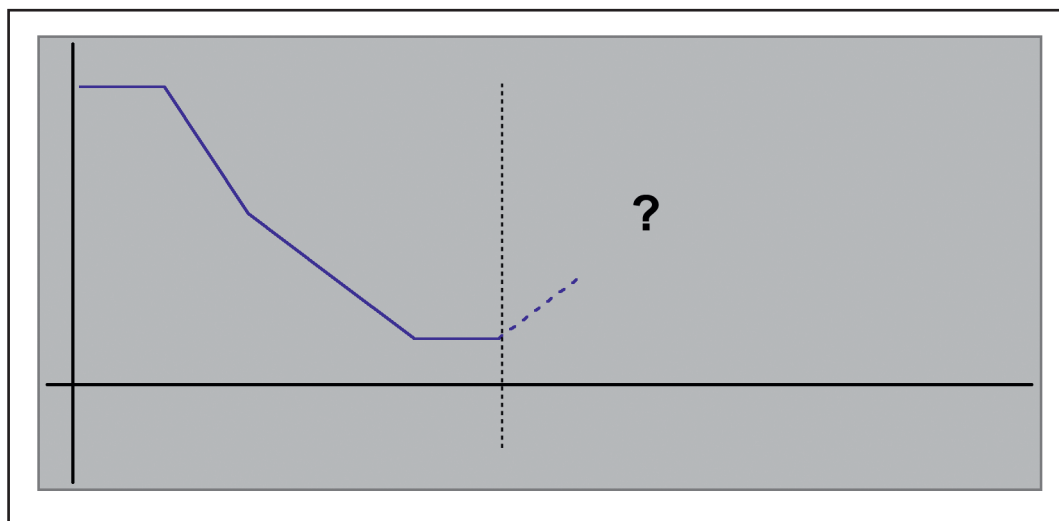
The commercial stage succeeded with the opening up of new countries and new markets. The factory which used to work in its own territory and some surrounding countries, opened up to the five continents. Competition developed and created new appetites. The combination of the two situations accelerated the drop in prices.

The financial stage resulting from productivity improvements, better cost management and, during an erratic movement of currencies, successive devaluations, allowed margin recovery, which was immediately reinvested in the price conflict. **The three situations pushed prices down further.**

Today, the curve is at its low level.

- Which innovating and revolutionary technology has appeared?
- Which new country is there to discover?
- Which notable improvement of productivity is there?
- Which beneficial 'devaluation' has occurred?

None of the resources of the past seem to be available any more.



What solutions are there to reverse the trends?

Yesterday' solutions are not practicable anymore: the technology is mature, the globe is covered by salesmen, the Euro is settled. Efforts partly bear their effects; and new parameters come into play.

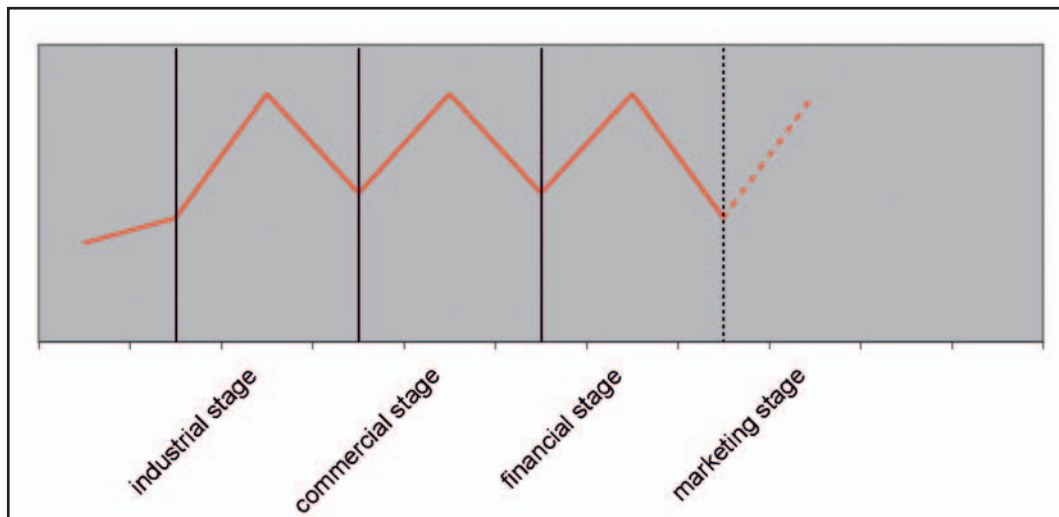
Monetary parity makes progress in some markets difficult, and even endangers current positions: North America, Middle East...

New participants have entered the market. Predators are prepared to gain market shares, without respecting all the core rules, not subject to the same regulations; but there are also well-organised, serious, professional and profitable producers. The effect

of this new situation lowers prices once more but, at the same time, limits the capacity of Western Europe companies to go and fight in a number of segments which were beneficial yesterday.

The market has become narrower, and so have the economically exploitable ranges. Yet, the ceramic tile market is animated, imaginative, and dynamic.

How can an improvement in profitability be gained despite all associated constraints?



We notice that whatever the trend, it remains possible to sell products with added value as the end-consumer is always ready to buy attractive tiles in an existing offer.

Even if the tile has lost an important part of its value, it is still possible to recreate this value by a marketing service.

We must link each element of the chain in order to create value, developing all the solutions that can improve the product mix, and are also able to show the end-consumer clearly the real value of the product.

We must unite the strengths of all those who are involved in the business:

- Industrial capacity of the producers
- Client knowledge by the distributor
- To offer to the market the right consumer wish.

Through:

Our showrooms:

By improving product presentation supported by decorative solutions able to stimulate customer wants (an ambience picture is better than a 2 sq. m display).

By working on our presentation valuations (displaying sq. m and panels is not enough).

By focusing on really efficient products. The number of references is not the only end.

Product development:

The continuous emergence of new products coming from Research and Development Departments, alone, is not the ideal solution. We have to add the factories' creative quality to the knowledge, brought by the distributor, of the end-consumer's expectations and work together on product developments actually expected by the market.

Product support:

Tile must be marketed, it does not support itself anymore; we have to work on communication, booklets, display tools, prescription tools... The tile consumer is, first and foremost, a consumer in a world of consumption.

We have to join his universe, communicate with him according to his receptiveness.

Sales force training:

New methods must be applied to a new time; together we have to help the sales forces in the showrooms deal with the customer, the aim is not to sell tiles anymore, but to sell better ceramics, with a simple, clear sales pitch in order to help salesmen deliver the right messages (quality, aesthetics, standards...) to the clients.

All this can be achieved in common, by uniting our forces, by focusing our means.

There are those historic manufacturers, responsible distributors, and even non-predator manufacturers currently entering the market, who are looking for profitability and not irrational market-share grabbing.

If we succeed in developing this common marketing approach aimed at the end-consumer, we will return value to the product.

Otherwise, we will prove those manufacturers or distributors right who, for many years, have destroyed the market for the benefit of increasing non-controlled and, ultimately, non-profitable volumes.

The power of tomorrow's market will lie in a win-win association, between a manufacturer able to produce adapted products, a distribution network on the lookout for value creation, and joint work to increase the value of the product in order to satisfy the client.

Everything is still possible. It's up to us to commit ourselves.

