

# GERMANY'S GULF OPERATIONS

**HAS GERMANY'S DECLARATION THAT IT IS OFFICIALLY OUT OF RECESSION AFFECTED GERMAN CONSTRUCTION FIRMS AND MANUFACTURERS OPERATING IN THE GULF, AND SHOULD YOU OPT TO WORK WITH THEM? CONSTRUCTION WEEK INVESTIGATES**

By Alison Luke

**T**he number of German firms associated with the Gulf construction sector has risen greatly over the past decade. The full spectrum of the sector is covered by those that have set up operations in the region, from product manufacturers, to architects and contractors, German firms are involved in most of the major developments that are underway across the Middle East. But what is attracting clients to opt for German firms and what benefits can they bring to projects over here?

At the top of the list, it appears, are the German traditions of quality and efficien-

cy. "The market here recognises German-made products as technically superior and advanced," states Knauf general manager Michael Morgan. "In general, German firms have brought the best quality systems and products to the region," agrees Hess Middle East area manager Manoj Kumar.

And this striving for quality is not just unwarranted reputation, it is demonstrated by the demand for approval to recognised industry standards by firms operating in Germany. "German companies have driven the need for products and services, backed by internationally recognised testing and approvals organisations," states Geze Middle East managing director Barry Peile.

"Governmental safety organisations have embraced these approvals and written them into their own standards. And joint ventures between German and local companies have transplanted the quality drive end ethos to local companies," reports Peile.

"All Knauf systems in the Middle East market comply with global benchmarks as well as meeting all the requirements of Dubai's stringent construction norms,"

stresses Morgan. "The Group's responsibilities do not simply end with providing or installing its drywall systems. We offer free technical specification services, on site support,

plus theoretical and hands-on training to contractors as part of our quality control programme," he explains. Such back-up is a primary benefit provided by major German firms operating in the region.

Skilled workmanship, reliability and expert knowledge are also valued assets offered by German firms, as is product reliability. "High quality products made in Germany offer cost savings in the long-term," assures Reiner Kaltenbach, Advanced German Products (AGP).

In addition, the focus of German firms on developing new technology means that they have been able to offer fast-growing markets such as the Middle East products that meet the latest industry and global demands. "Clients in the Middle East are very keen on designer products that simultaneously incorporate eco-friendly features," explains Holger Ruf, managing director, Hansgrohe Middle East. But ensuring that

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## HOW GERMAN COMPANIES CAN STRENGTHEN THEIR POSITION IN THE GCC?

- Provide good after-sales service support
- Ensure a ready supply of good quality, certified products
- Ensure the availability of spare parts across the entire GCC
- Adapt products as necessary to meet local requirements such as environmental conditions
- Offer product training sessions for contractors and end-users
- Use promotional materials to further educate the market about the benefits of buying quality produced products
- Showcase products and services at locally held trade shows and events or at the company premises
- Appoint country managers throughout the region
- Increase their presence across the region in terms of number of offices, agents, distributors etc.
- Work in co-operation with local governments and ministries
- Keep up to date with the requirements of clients and end-users and ensure that the firm can meet these demands



KUMAR SAYS GERMANS ENSURE BEST QUALITY.

new developments meet client demands is essential, he warns. "Innovation...needs to go hand-in-hand with continual dialogue and a regular exchange of views with our customers. Keeping an eye on the market is not only important to be able to respond to customer requests and market requirements as soon as possible, but especially to set any trends in the first place," stresses Ruf.

### MARKET RECOGNITION

While those in the Gulf may recognise the expertise and attention to detail that German

firms can offer, with heightened pressure on costs and time savings in the current economic climate are these factors really top priority in the region?

"The market is already learning that attention to detail is an important factor in the construction industry," reports Morgan. "We believe that educating our clients will

be critical in the long-term in the Middle East markets."

The economic downturn has actually increased this demand for quality products in many cas-

**"IN GENERAL, GERMAN FIRMS HAVE BROUGHT THE BEST QUALITY SYSTEMS AND PRODUCTS TO THE REGION"**

## GERMAN COMPANIES IN THE GCC YOU SHOULD KNOW

### BASF CONSTRUCTION CHEMICALS

BASF's Construction Chemicals division is one of the leading suppliers of chemical systems for the construction industry. The firm's Admixture Systems business unit serves clients in the ready-mix, precast, manufactured concrete and underground construction industries. The Construction Systems unit offers a wide range of products including concrete repair and protection materials; expansion joints; exterior insulation and finish systems; waterproofing membranes; crack repair and injection resins and tiling products. BASF has more than 30 years experience in the GCC.

[www.basf-cc.ae](http://www.basf-cc.ae)

### GEZE

Geze Middle East is a leading developer and producer of door and window control systems. Established in 1863 and headquartered in Leonberg near Stuttgart, Germany, the firm now has numerous branches, 26 fully-owned subsidiaries and manufacturing plants worldwide.

Geze has been active in the Middle East since 1996, when a regional office opened in Amman, Jordan. Geze Middle East was established in 2003 in the Jebel Ali Free Zone. The firm now operates in the UAE, Oman, Qatar, Bahrain, Saudi and Kuwait.

It offers products on a supply only basis or under supply, installation and annual maintenance contracts. Products include automatic sliding doors, automatic revolving doors, powered window openers and manual door closing systems.

[www.geze.ae](http://www.geze.ae)

### HANSGROHE

Hansgrohe is one of the leading international manufacturers of sanitary products. Founded in 1901 and headquartered in Schiltach in the Black Forest, Germany, the firm has manufacturing plants in Germany, France, the Netherlands, the USA and China. It also has sales and distribution companies and consultancies worldwide.

The firm's products have been offered in the Middle East since the early 1990s supported from the German headquarters; and since 2004 through Hansgrohe Middle East and Africa head office in Cyprus. The firm has a local office in Dubai and works with local partners for importers, agents and wholesalers throughout the other countries in the Mena, Levant, North Africa and Gulf.

[www.hansgrohe-mea.com](http://www.hansgrohe-mea.com)

### HENKEL MIDDLE EAST

Henkel is one of the world's leaders in adhesives, sealants and surface treatments. Headquartered in Düsseldorf, Germany, the firm has subsidiaries in more than 75

countries worldwide. Its product portfolio includes building adhesives for architects and building contractors; adhesive and sealant systems for industrial applications; and solutions for professional flooring, building and construction, pipe installation, fire protection and woodworking.

[henkel.com](http://henkel.com)

### HESS GROUP

Hess is one of the largest machinery manufacturers for the concrete industry, and a leader in the production of machines used in the concrete-block and pipe manufacturing sector. It is also into a major developer and supplier of the handling systems for such products. Its product portfolio includes block and pipe-making plant equipment; interlocking paver machines, concrete pipe machines, autoclaved aerated block machines, railway sleeper machines, plus concrete mixing and metering systems.

Hess has been active in the Middle East market for more than 15 years through local agents and distributors. In 2005 it opened a facility in the Jebel Ali Free Zone, which is responsible for serving all GCC and other Middle East countries.

[www.hessgroup.com](http://www.hessgroup.com)

*Companies mentioned here are listed in no particular order.*



PEILE SAYS SENSIBLE FIRMS LOOK FOR BETTER VALUE RATHER THAN LOWER PRICES.

es, manufacturers report. "Difficult times make sensible companies look for better value rather than lower prices," reports Peile. "Many companies have suffered the consequences of low price and the inevitable low quality that it buys. High quality engineered products and services provide good value for money and that is what German companies provide," he explains.

"The expertise and the details are especially important in this region where the economy was increasing so quickly that sometimes quantity was counting more than quality," stresses

**"HIGH QUALITY ENGINEERED PRODUCTS PROVIDE GOOD VALUE FOR MONEY"**

Interpane Glass Germany director Micha Pawelka. There is now more recognition of, and demand for, products from European companies as a whole, Pawelka reports.

## THE EFFECTS OF THE RECESSION

The effects of the global economic downturn on German firms operating within the Middle East construction market have differed greatly. Their responses to the issue are varying between undertaking local and geographical expansions, to reviewing the firm's mode of operations and increasing the focus on new product

## GERMAN COMPANIES IN THE GCC YOU SHOULD KNOW (continued)

### INTERPANE

Interpane Glas Industrie is headquartered in Lauenförde, Germany, and is one of Europe's largest flat glass processors. The Interpane Group comprises eleven production facilities at ten locations in Germany, Austria, and France; it also produces float glass at Seingbouse in France.

The firm's product range includes coated insulating glass, sound-proofing glass, solar-control glass, safety glass and all-glass doors and panels. Its high-end solar control and design glazing are primarily suited to building facade applications; the firm also supplies interior and fire-rated glass.

Interpane has operated in the Middle East for more than ten years and opened a local office in January 2009.

[www.interpane.com](http://www.interpane.com)

### ISCHEBECK TITAN

Founded in Germany in 1881, Ischebeck Titan is one of the world's leading designers and manufacturers of solutions in falsework, formwork, safety and ground engineering products. Ischebeck Titan (Middle East) is a subsidiary of the UK-based Ischebeck Titan, the joint venture partner of the German-based Ischebeck. The firm has a local office in Ajman and has supplied formwork to some of the Middle East's major projects

including Dubai International Airport Terminal 2 extension.

[www.ischebeck-titan.co.uk](http://www.ischebeck-titan.co.uk)

### KNAUF DRYWALL SYSTEMS

Knauf is a leading drywall building materials company. Founded in 1932 as a family business, Knauf now includes more than 150 plants in 37 countries in Europe, the Middle East, Asia, USA and Latin America; a workforce of 18,000; and annual revenues of about US \$8.8 billion (AED32.4 billion).

Headquartered in Bavaria, Germany, Knauf was originally a producer of conventional gypsum; its portfolio now comprises more than 30,000 different gypsum boards, metal profiles and accessories, jointing and finishing compounds, dry floor elements and thermal insulation materials, plus a wide range of plaster products.

It has been active in the Middle East for more than ten years; its regional operations are headquartered in Dubai. The firm also has offices in Qatar, Syria, Jordan, Egypt and Lebanon; dealers in Oman, Bahrain, Kuwait and Saudi Arabia and manufacturing plants in Syria, Egypt and Ras Al Khaimah.

[www.knauf.ae](http://www.knauf.ae)

### THYSSENKRUPP

Thyssenkrupp Elevator is one of the world's largest elevator companies. With sales of

around US 47.2 billion (AED26.5 billion) and almost 43,000 employees at more than 800 locations, the group is active worldwide. The product range comprises passenger and freight elevators; escalators and moving walkways; stair and platform lifts; plus passenger boarding bridges.

Thyssenkrupp Elevator Seame is the business unit managing the firm's operations in Southern Europe, Africa and Middle East. Its activities are focused on a wide range of services, such as design, manufacturing and after-sales of elevators, escalators or platforms.

[www.thyssenkrupp-elevator-seame.com](http://www.thyssenkrupp-elevator-seame.com)

### CAD-PLAN MIDDLE EAST

Cad-Plan was founded in 1989 as a software firm specifically to provide computer aided design (CAD) software for the metal construction and façade technology sector. The firm's primary product is the Athena AutoCAD-based application for curtain wall design and facade engineering; it also offers Flixo Professional 5, a thermal analysis and reporting package. CAD-Plan Middle East was founded in 2007, the main office being located in Dubai.

[www.cad-plan.com](http://www.cad-plan.com)

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PAWELKA SAYS THE ORDER BOOK IS LOOKING GOOD.



JACKSON SAYS IT IS DIFFICULT TO COLLECT DEBTS.



KALTENBACH IS NOW LOOKING AT THE WIDER GCC.

**“WE ARE WORKING WITH LOCAL AGENTS ALL OVER THE WORLD SO WE ARE ABLE TO GET PROJECTS”**

development. “Being a zero-debt company, we escaped the worst of the credit crisis. In fact, as a global company we outperformed operations in some areas, which helped us operate in other markets with fewer problems,” reports Morgan.

Such is Knauf’s confidence in the local market that the firm has invested AED500 million in a new production plant that is currently under construction in Ras Al Khaimah. Phase one of the plant became operational on September 1, the remaining two phases are scheduled to open by the end of 2010. When completed, the plant will produce gypsum boards, metal studs and channels, joint compounds, drywall accessories and plasters and have a capacity of around 40 million m<sup>2</sup> of gypsum boards per year.

Concrete cooling plant supplier KTI is also planning to undertake expansions within the Middle East. KTI marketing manager Tobias Graf reports: “[We will be carrying out an] extension of our presence - warehouses, service stations, technicians etc - in the whole region.”

The firm currently owns subsidiaries in the UAE, Saudi Arabia and Qatar, and

**“[THE FIRM NOW HAS A] MORE CAUTIOUS GRANTING OF CREDIT TERMS”**

has partners in Egypt, Kuwait and Oman. “For Hansgrohe the impacts of the financial markets and economic crisis vary quite substantially from one market to another,” reports Ruf. “Despite the shortfalls in project operations, notably in Dubai, we perceive a strong level of demand for, and a pronounced interest in, our products in the Arabian countries.”

As a result of this demand the firm plans to establish additional distribution branches and extend its partner networks in the Middle East. “The year 2009 will certainly remain difficult. On the other hand, we believe we are in a very good position not only to meet the challenges posed by this crisis, but also to develop an outstanding starting point for ourselves in preparation for the moment when the economy picks up again,” stresses Ruf.

As the construction industry in the Middle East has been heavily affected by the recession, with a number of projects cancelled or on hold, it is inevitable that German companies have not fully escaped the effects. “It is more difficult to collect debts,” reports MC Building Chemicals general manager

**“[AGP IS] CONCENTRATING ON PROJECTS WHICH REQUIRE HIGH QUALITY PRODUCTS”**

Barry Jackson. The firm has responded in two ways: “A more cautious granting of credit terms and more aggressive approach to business,” explains Jackson. However, despite these general market issues MC Building Chemicals is also expanding and is currently recruiting both sales and technical staff reports Jackson.

“I don’t know of any country or for that matter any company that has escaped the global recession,” stresses Peile. “Some companies have contracted drastically from previous years in terms of business secured, profits generated and staff levels. We have been fortunate and continued growing our business marginally over previous years as demand for our products has increased,” Peile reports.

In order to continue its growth in the region Geze has appointed a resident country manager in Kuwait. “We are also exploring opportunities to increase our effectiveness in the Saudi market,” reports Peile. The firm is examining its operations in all markets and has recruited local managers to ensure the firm has an understanding of the individual areas in which it is operat-

ing. In addition, Geze is introducing new product ranges to its portfolio.

Although the number of enquiries has dropped, there are enough projects currently underway to maintain business reports Kumar. Hess is focussing on providing an improved service support and the availability of spare parts across the GCC he says, it is also looking towards business expansions.

“We are trying to open new markets in north America, India, Mexico, Brazil and China and will be introducing new products for medium and small-scale operations,” says Kumar.

“Once Germany is recovered from the recession the company will be able to invest more money, either directly or through the German industrial bank, which is always supporting German firms abroad,” he adds.

## INCREASING BUSINESS

Despite being relatively new to the region when the global downturn began, both AGP and Interpane report confidence in their

future operations in the region. Security products firm AGP was established in Dubai in 2008 and has already provided its high security cylinder and master key systems for several high profile projects in the region including the Burj Dubai-based Armani Hotel.

Kaltenbach has noted a general slowdown of business activities in the region plus lower project budgets, however there is also a stronger demand for good quality products he reports. AGP is making two strategic moves to ensure its future in the Middle East: “[AGP] will be concentrating on specific projects which require high quality products and there will be a reorganisation of business activities into different markets beside Dubai, such as Abu Dhabi, Qatar, Kuwait and KSA,” explains Kaltenbach.

Interpane offers high-end solar control and design glazing primarily for building facade applications

as well for interior and fire-rated glass. Its products were available in the Middle East for more than ten years before the firm opened its regional office in Sharjah in January. Since then the firm has undertaken projects in the UAE, Qatar and works in all GCC Countries from its Sharjah base. “The order situation is still very good because we are mostly working in a field where special solutions are required and there are not many competitors,” explains Pawelka. “We are already working with local agents all over the world so we are able to get projects in other countries that still have a good economy,” adds Pawelka. In addition, the firm is aiming to improve its existing products, and develop new products, including a range of eco-friendly glass.

And with high-end German companies such as these continuing to move into the Gulf region, the relationship between Middle East construction firms and German industry seems set to continue. ©

**“THE GERMAN INDUSTRIAL BANK IS ALWAYS SUPPORTING GERMAN FIRMS ABROAD”**



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