

The Transition of Power in Bonded Magnets

“The Global Outlook for Bonded Magnets”

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Outline

- **The process of selling and buying is becoming very efficient**
- **Chinese capability is accelerating**
- **Strategies to maintain a competitive advantage**
- **Tomorrow's landscape**

The Internet is the Equalizer

- **Buyers can identify all suppliers**
- **Suppliers can reach buyers without a sales call**
- **Email is a fast, low-cost and efficient communication vehicle**

Buyers Can Pursue the Low-Cost Producers

- **Internet auctions will continue to grow**
 - **The salesman has less influence**
 - **Multiple bidders are all welcomed**
 - **Salesmanship is replaced by the “bid”**
- **Suppliers with fat margins are exposed**
- **Lowest cost producers are left in play**

The Momentum is China's

- **Buyers can easily identify the Chinese producers**
- **The Chinese can easily identify the customers**
- **More than a foothold has already been achieved**
- **Significant market penetration is a certainty**

Chinese Magnet Penetration

	Current	Potential
• Ferrite Rings	High	High
• Ferrite Motor Arcs	Moderate	High
• Alnico	Moderate	High
• Sintered NdFeB	Moderate	High
• Samarium Cobalt	Low	High
• Bonded Magnets	Low	High

Why the Chinese?

- **Abundant raw materials**
- **Low labor costs**
- **Large and growing domestic market**
- **Customers are moving to Asia**
- **Talented and aggressive men and women**

The Classic Nay Sayers:

- **“The material content is too high”**
- **“Transportation costs will kill them”**
- **“They don’t have the quality”**
- **“They don’t have the technology”**
- **“They can’t meet our lead times”**
- **“They don’t know how to sell over here”**
- **“They aren’t financially stable”**

Reality is That They are Here!

- **U.S. and European sales offices are being opened**
- **Strategic alliances are being established**
- **Quality is improving quickly**
- **Technology is advancing rapidly**
- **The business “culture gap” is narrowing**
- **Market share is increasing**

Two Future Wildcards

- **Political events that cannot be predicted....**
- **Economic viability of the Chinese banking system....**

Bonded Magnet Producers Will be Under Attack

- **Chinese sheet and compression bonded magnet quality is improving**
 - Pricing will be aggressive
 - Customer acceptance will develop gradually
 - Value-added products will also compete
- **Injection molded magnets will likely be the last to fall**
 - Some technology gap still exists
 - Production capability is limited

Strategies to Maintain a Competitive Advantage

- **New technology development**
- **Add value for your customer**
- **Join 'em, don't fight 'em**
- **Manage your business well**

New Technology Development

- **Spherical NdFeB powders**
- **Anisotropic bonded NdFeB**
- **Bonded SmFeN**
- **High temperature polymers**
- **High energy ferrite powders**

Add Value for Your Customer

- **Application engineering**
- **Assemblies vs. components**
- **Outstanding customer service**
- **E-commerce capability**
- **Be cost competitive!**

Join 'em, Don't Fight 'em

- **Wholly-owned Foreign Enterprise**
- **Processing Company**
- **Joint Venture**
- **Strategic Alliance**

Manage Your Business Well

- **Hire and develop first class people**
- **Have a solid and consistent business strategy**
 - **Develop strength in niches**
 - **Focus on the customer**
 - **Take advantage of change**
- **Maintain financial health**
 - **Avoid unprofitable business**
 - **Maintain priority on cash management**
 - **Treasure your investment dollars**

Tomorrow's Landscape

- **Continued industry consolidation**
- **The internet and e-commerce will become the business norm**
- **New technologies will continue to demand higher performance materials**
- **“Head to China young man....”**

Summary

- **European, American and Japanese companies will all be affected**
- **The shift is impacting everyone:**
 - Permanent magnet producers
 - Soft ferrite producers
 - Motor manufacturers.....etc.
- **Each company needs to decide:**
 - A participant in the power shift
 - A casualty of the power shift