



Security in action

A NEWSLETTER FROM GAS CONTROL EQUIPMENT NO 2 | 2012



MICHAEL HERMANSSON, CEO OF GCE GROUP:

The only thing that is constant is change

As the pace of technological change in the world grows ever faster, so does the dynamism of business life. The winners are those who quickly adapt to change and recognise that the only thing that is constant is change.

“At GCE we are continuously running projects to improve performance. As our markets and our customers are changing – and often very fast – it is important to build flexible supply structures. GCE handles products where “Security” always is put in first place. We must therefore balance the importance of safe manufacturing with our customers’ demand for flexibility and speed.

Right now we are running our “Project of Complexity”, a project aimed at simplifying our internal processes to make the company more efficient and competitive. To reach that goal and give our customers the quality they request, we are reviewing our product offering,

More info on www.gcegroup.com

by understanding the difference between products “We want to sell” and “Can produce”. Today we are producing approximately 24,000 products. This results in a complicated range with extended lead-times and high inventory levels. To be more efficient and to serve our customers even better, we are now looking into how we can narrow our product offer and cut down the amount of products.

Improving our service

As competition increases it is important to develop our service to our customers. One step is our bi-annual customer survey that was conducted earlier this year (read more on page 4). The survey has resulted in “GCE’s Customer Promises” – a service tool to respond to our customers’

“Complexity is our enemy. Any fool can make something complicated. It is hard to make something simple.”

Richard Branson, Virgin Group

requests to improve our customer service.

In parallel with that we are improving our supply chain, primarily through our RACIO project in the Czech Republic. The project is aiming to develop our internal logistics, which results in on time delivery

We are living in a fast changing and complex world. GCE has in response started to work with projects aiming at simplifying our work and making it easier to make business with us. We will come back with more detailed information around these projects during 2013.

The uncertainty compels even better service

Looking at the markets we serve from an overall perspective right now there is a lot of economical uncertainty, which means that we must act even faster to satisfy our customers.

We must be more flexible and work in a smoother way than our competitors and at the same time understand that our customers’ demands can change very fast, many times faster than in a normal business environment.

To reach the goal we must everyday remember that “complexity is our enemy” and that “the only thing that is constant is change”.



Acquisition has opened up a huge Russian market

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Customer survey shows strong performance improvement

READ MORE ON P. 4-5



During 2012 our sustainability actions are continuing

READ MORE ON P. 7



WaveLight® puts high demand on its suppliers

READ MORE ON P. 8

At the end of 2011 GCE made a significant acquisition in Russia making GCE the second largest player within equipment for industrial gas applications in the country. With the transaction GCE acquired parts of the Russian company ZAO Trade House Krass with head office in Saint Petersburg. GCE took over 45 employees based in Saint Petersburg and Moscow and got the exclusive right to a product range that completes and in an efficient way broadens GCE's existing product offer.

IN FOCUS:  RUSSIA

Acquisition opened up a huge Russian market

"ZAO Trade House Krass has an extensive network of distributors. This gave us an excellent platform and means that we are considerably increasing our total market penetration in Russia," says GCE's CEO and President Michael Hermansson.

"At the same time we now have an exclusive right to these new GCE products from Krass, with all necessary GOST approvals. It gives us the opportunity to introduce these products in the GCE network in other regions in the world, primarily in South America and Eastern Europe."

"The acquisition of ZAO Trade House Krass has been very important for GCE in Russia," Jacek Switkowski, head of GCE Russia and Eastern Europe, says. "It opens up the huge Russian market of gas equipment, which is estimated at 40 MUSD where GCE automatically took 25 per cent of it plus accessories business."

GCE has been on the Russian market for more than 10 years trading

as on export market. Before the acquisition GCE did not have its own logistic and resources, causing that GCE had to concentrate on doing business only with big size companies.

"The acquisition of Krass gave us the opportunity to reach smaller customers who did not run import by themselves. The Russian market is huge and very demanding. There are high expectations to get low cost products. Safety and quality must increase in importance."

The product range of Krass included products with low cost but quality products in the application areas Cutting and Welding, which fitted into the Russian market.

"We also took over a network of around 2,000 customers including two offices, one in Sankt Petersburg and one in Moscow, logistic structure with two stock locations (Vyrica and Moscow) and 45 skilled and experienced employees," Jacek Switkowski says. "Krass also had two retail outlets



Jacek Switkowski, head of GCE Russia and Eastern Europe.

in Sankt Petersburg employing eight people."

At the same time GCE added its high class, quality products in all Business Areas; Cutting and Welding, Process Application, Medical and High Purity. GCE increased heavily the product range that could be offered to the market and now have products in the premium market as well as on the low cost market.

"In parallel we have worked with implementing original Krass-products into the European market, especially in the other countries in Eastern Europe."

"Russia is the world's largest country in size and long run transports limit the frequency of stock replacement at our customers. Some customers from Siberia could make a purchase 2-3 months in a year only, due to impossibility of transport."

"We also see a growing number of imported products from China, both generic products as well as cheap copies of western and local producers."

Due to Russia being a large country the market for gas cutting and welding equipment is very fragmented. Most of GCE's customers are located in the European part of Russia, mainly in three regions: Moskovskaya (Moscow), Leningradskaya (Sankt Petersburg) and Sverdlovskaya (Ekaterinburg) Oblast.

In the Moscow region there is also a high concentration of purchase organisation supplying companies working in Siberia (industries like mining, metal production and oil). ■



The Russian market is huge and very demanding



GCE has been on the Russian market for more than 10 years concentrating on big size companies. The acquisition of Krass opened up to also reach smaller customers who did not run import by themselves.

4 Questions

TO JACEK SWITKOVSKI, HEAD OF GCE RUSSIA AND EASTERN EUROPE

■ Which industry is the largest in Russia in the gas business?

1. "The customer base we took over from Krass is mostly different sizes of cutting and welding dealers and big end users, as Krass only was dealing with products for the cutting and welding industry. With our original GCE products we are approaching a different type of customers. We are focusing on global gas companies, designers, installers, laser producers, trade companies, emergency stations and ambulance builders.

A large number of "Krass customers" have already started to purchase GCE equipment. During one year we have extended our original GCE customer base seven times, a number that is still growing."

■ Russia is the world's largest country. Is the industry focused in the western part of Russia?

2. "Yes, and there are three main regions where most of the money flows in Russia and where industry and purchasing is concentrated. We have to consider that there is less money in the rest of the country; therefore price is the key purchasing parameter. Products with higher quality cost more, but we are optimistic and believe to develop partnership relations also in these regions."

■ What type of products are you selling? For which industries?

3. "We are present in all four areas as the rest of the GCE group: Cutting & Welding. Main products: regulators, torches, cutters, nozzles, safety, propane equipment, and arc-welding accessories. Competition is strong mainly from local producers including former monopolist. More products are imported from China, including own producer design and a lot of copies.

Process applications. Main products are cylinder valves, machine cutting and central gas supply devices. Relatively low level of competition in central gas supply while in cylinder valves competition is strong from local producers as it is a commodity.

Medical. Gas equipment for hospitals, home oxygen therapy and emergency. This is a relatively new market segment for GCE here as we got requested certificates just recently. It seems that our competitors are low cost local producers and western producers. Big limitation is underinvestment in the Russian health sector.

High purity. There are mostly regulators, manifolds and valves for clean and also toxic gases. Here we aim mostly big sector of all type of laboratories and gas companies. Competition is similar as in other our regions and it is very specific product.

We see a big potential in gas installations for industry, medical and laboratory business, where we are the experts. We expect that the industrial gas cutting and welding market is not growing and we are working to defend and strength our position."

■ What is your plan for the next few years? How does GCE in Russia look in 2015?

4. "The market is tough, and there is a focus on low price key parameter. As a key factor for GCE it is important to build a strong brand focusing on quality and security. I think that some of the success factors are:

- concentration of right products and a possibility to deliver tailor made products and solutions
- continuous work on product quality and security
- good relations with our customers – dealers knowing that we are selling to end users via dealers
- quality and efficiency of customer service
- quick and accurate deliveries
- quick and efficient claim solving.

We have just started our journey to reach this. We are on the way but there is still a lot to do. I personally promote the fact that we must perform in a professional way and that we should analyse and measure vital processes regularly and search for optimal solutions.

If we succeed to set up all above mentioned parameters on the expected level we will definitely become a market leader in the gas equipment field in Russia within the next few years." ■



We shall be a market leader in the gas equipment field in Russia



Did you know that...

- ...the population in Russia is approximately 143 million people?
- ...Russia is the world's largest country with an area of 17,098,242 km² (6,601,668 square miles)?
- ...the Russian federation was formed on December 25 in 1991?
- ...the first directly elected president of Russia was Boris Yeltsin, elected in June 1991?

Strong overall improvement for GCE's customer service

The large bi-annual customer survey shows strong improvement for GCEs overall customer service. The Customer Satisfaction Index (CSI) for the survey 2012 was 4.11 (index 1–5), compared with 4.04 in 2010, last time the survey was conducted.



Tony Peers
Vice President Marketing
of GCE Group.

"This is a quite comprehensive survey including more than 700 customers in the European markets," says Tony Peers Vice President Marketing of GCE Group. "We are of course not completely satisfied until we get even closer to the maximum points score of 5.0, but it is very satisfying to note that we are on a high level, still developing and improving in the right direction."

Compared to 2010, the results indicate that GCE has a better or unchanged performance in all areas investigated with no areas showing any significant deterioration.

The areas improving the most compared to 2010 are:

- Delivery speed of all products.
- The way GCE keeps customers informed about changes in deliveries.
- The website is informative and user-friendly.

"Overall, the sales management function receives continued good results," Tony Peers continues. "However, there are still differences in the results between Sales companies and sales representatives in various European Sales regions."

The most interesting results to note :

- The willingness to recommend GCE has increased significantly. 40 per cent of the customers would now consider recommending GCE to a "very high degree".
- 26 per cent of the customers believe that their collaborative relationship with GCE will increase over the next two years.
- 25 per cent of customers believe



Characteristic for customers who feel that GCE is "better" than its competitors is that they are more satisfied with the speed of delivery.

that GCE is superior to the competition, compared to 18 per cent in 2010.

"It is of course very encouraging to note that the willingness to recommend GCE has improved since 2010," Tony Peers says.

There are of course areas where GCE sees that it must improve and the most important areas for GCE to continue focus on are:

- **Logistics**
 - To work towards continually improving delivery times.
 - Improvement in certain countries with delivery precision and correct deliveries.
- **Response time**
 - The shortcomings and the dissatisfaction are most noticeable among

customers in Northern Europe.

- Other countries where improvements also can be made are Spain and Germany.

• **Customer focus**

- Point out the importance of good personal service and communication with customers.

• **Information – delivery delays**

- Improve the routines for information about changes in deliveries (delays and cancellations).

• **Complaint Handling**

- General improvement is needed here with least satisfied customers in Norway, Denmark, Finland, Austria, France and Italy.

As a response to this survey GCE has already started a Customer Promise Program. Read more on next page! ■



Did you know that...
...all GCE's standard stock products can be delivered within one day.

“ We are making four customer promises – to take at least four major steps to improve our service during 2013

During the last 25 years GCE has developed its industrial and more recently its medical and high purity businesses to become one of the market leaders in Europe and globally in the field of gas control.

The company now has sales offices in 15 countries worldwide servicing all continents, including its new operations in China, India, Latin America and Russia.

“In recent years GCE has conducted a number customer service surveys in order to understand more closely the needs of our customers and listen to what is required for GCE to remain service competitive,” Tony Peers, Vice President Marketing of GCE Group, says.

“The outcome of the customer surveys has resulted in a number of changes in our sales and supply organisation to improve our “Customer service” and our “Brand image”, culminating in what we call “The GCE Customer Promise” for the coming years,” Tony Peers continues.

The new customer service program GCE is now embarking on starting in November 2012 with the planned introduction of changes in its customer service offering including four major steps as shown in the timetable below.

To explain the company's Customer Sales and After Sales Promises in more detail GCE has developed a

brochure that defines the promises and what level of customer service a customer of GCE can expect. The promises are detailed below:

Customer Sales Promises

- We promise to ensure your complete trust in our products and services by delivering secure solutions that will satisfy your needs.

Our customers are safe in the knowledge that they are dealing with one of the world's leading companies in the field of gas control equipment.

- We promise a fast response for all your orders.

When you contact GCE you will have access to experienced personnel who will provide you with the best possible customer service support.

After Sales Promises

- We promise to take the actions that will serve our customers in the best possible way.

We actively encourage our whole organisation to identify business areas for future development, and to continuously look for new ways of improving our products and customer service.

- We promise to support your business development in a professional way.

With our vast market knowledge and global business experience we are able to give you superior support to help to develop your own business. ■

Launch of the GCE Customer Service Promise

Launch of the GCE New Delivery Product Service

Website Upgrade

New After Sales Service Promise – New Organisation, Customer Support and Training Courses

November 2012

April 2013

May 2013

June 2013



Our customers are safe in the knowledge that they are dealing with one of the world's leading companies in the field of gas control equipment.



To complete the picture of what GCE stands for, colours and graphic elements used in the marketing material are being used as a part of the interior design.

LIVING AND STRENGTHENING

Brand recognition in GCE

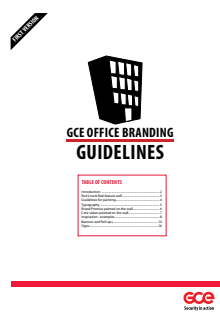
– To differentiate the GCE brand successfully we have identified our core added values, based not only on product and price but also on our complete service offer and associations, Tony Peers, Vice President Marketing of the GCE Group, says.

GCE started that journey a year ago and is now implementing the core values to get the employees to “live the brand”.

“To strengthen the GCE corporate brand and build the company feeling, the Sales offices and factory facilities are now being branded according to our new office-branding manual,” Tony Peers continues. “It is important to continue to develop the brand in the successful way we have started.”

Part of the interior design

To complete the picture of what GCE stands for, colours and graphic elements used in the marketing material are being used as a part of the interior design. The workers in the factory, the sales force, visitors and customers shouldn’t have any doubt



To strengthen the GCE brand the Sales offices and factory facilities are now being branded according to the new office-branding manual.

in their minds when it comes to the GCE brand promise “Security in Action.”

The Corporate Identity – Red Line

The Red line in all the corporate material has also been chosen to be the key element in the office and factory branding. It will create a strong visualisation of the brand.

In corridors the red line can be used to show direction and designated walking areas. On stair cases the red line is being used to show direction and to accentuate the steps.

The red feature wall – with the Brand Promise and Core Values

The red colour will also be used on feature walls throughout the Sales offices and factory facilities. Feature

walls work as an eye catcher where the brand promise “Security in action” or the four core values can be placed. Integrity, Security, Innovation and Pro activity!

Office and Meeting rooms

The Office and Meeting rooms provide a great opportunity to remind the employees of the GCE core values or brand promise. These rooms are also being refurbished to communicate the Core Values with the employees.

Reception areas

The first impression last – and the reception is often the first impression when visiting a GCE Sales offices or factory. In all reception areas the GCE Brand Promise and Core values are being displayed.

A PRO-ACTIVE WAY TO FIND BUSINESS OPPORTUNITIES

Sustainability in action

With the brand promise "Security in action" GCE wants to be the preferred and secure partner for its customers. GCE believes working with sustainability helps in reaching this position. "Sustainability in action" is the headline of GCE's first sustainability report published earlier this year.



GCE has completed its first sustainability report. It is a first step in reporting data and how GCE is acting as a responsible company.

"It is our first step in reporting data on how we are acting as a responsible company," Charlotta Joberger, Global Quality Manager at GCE and responsible for the company's sustainability work, says. "We see sustainability as a pro-active way to find business opportunities and influence the future of GCE and our world. As a company – as well as individuals – we should be careful with how we treat our common resources and ensure that we minimise our environmental footprint."

"During 2012 our sustainability actions are continuing. Our prioritised areas will remain, with our core values "security" and "integrity" in focus. Material is also important to us since GCE is very dependent on

brass. Metal is a limited resource and as demand rises, recycling must increase to keep demand and supply in balance."

"For materials the focus will be on reducing the amount of scrap to decrease cost as well as environmental load. Second part in material management will be to implement requirements and processes to facilitate the answering of requests for material content and increase in our ability to react and implement additional material content requirements."

The target to have at least one work safety review per site remains. For bigger sites, especially where the company has production or service, the number of reviews should of course be higher, but the target



Charlotta Joberger,
Global Quality Manager
at GCE.

is set as minimum one per site.

"All new product development projects include risk assessment regardless of business area. Throughout 2012 GCE evaluates and identifies improvements to our risk assessment method and globalise it, i.e. ensure we have the same method and assessment levels in all sites involved."

During 2012 GCE also has worked with risk assessment for its products with the goal that all new products shall be covered by product and risk assessment.

Recently GCE Sustainability Policy has been updated and it now applies for the whole supply chain, including the company's suppliers, forwarders, subcontractors and contractors.

"One important part that has been updated and clarified is our internal work around whistle-blowers," Charlotta Joberger says. "It is important to encourage our employees to report to upper management if they see or hear something that is not in line with our overall policy."

The new and updated sustainability policy is also more educational with cases that make it easier to understand.

"A base for working with sustainability is that we have the right awareness internally," Charlotta Joberger says. "Our target is that at least 80 per cent of the employees are trained by the end of this year. To further increase awareness and structure, work to define and implement system according to ISO 140000 and ISO 18000 have commenced in our main production site in Czech Republic." ■



A base
is that we
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Prioritised areas for the sustainability work during 2012 will remain, with the core values "security" and "integrity" in focus.

CUSTOMER CASE:
WAVELIGHT® PUTS HIGH DEMAND
ON ITS SUPPLIERS



Never too late – and never too early

In 1987, refractive laser surgery opened up entirely new possibilities for the correction of visual problems: Professor Seiler performed the first laser surgery on a human eye to correct visual problems.

Nowadays, a life without glasses or contact lenses is no longer a problem for many people: Laser eye surgery becomes safer and more comfortable. Laser vision correction is one of the most frequent procedures, in Germany alone there are more than 50,000 LASIK treatments every year.

It is very likely that a WaveLight device is performing the surgery. The German company with its headquarters in Erlangen was founded in 1996 and has earned within a few years an international reputation. Significantly improving the patient comfort, the WaveLight systems have been globally implemented with focus on the American markets and increasingly Asia, where using spectacles is considered as a kind of blemish by many people.

“Over the years the WaveLight technology has set new standards in refractive surgery and the organisation has committed to further improve processes and increase safety,

precision and quality – for the benefit of the doctor and the patient,” Gabriele Beisheim, Technical Marketing Manager, says.

As a wholly owned subsidiary of the Alcon group WaveLight GmbH is a leading provider of modern diagnostic and surgery technology for vision correction. 230 experts are engaged at two German locations in Erlangen and Pressath building the success of the company leading to comfort of patients.

Medical devices for treatment of human eyes are of course under a tight supervision of regional authorities. As the first European company WaveLight obtained the US Food and Drug Administration (FDA) approval already in 2003. Striving for a zero failure tolerance and providing extensive global maintenance put a high demand on WaveLight but also on their suppliers.

“GCE’s produces and delivers a pressure regulation system respon-

sible for the gas supply of the excimer laser,” Thomas Lingenberg, Business Area Manager High Purity of GCE, explains. “A specific gas blend is provided by a GCE DruVa precision regulator into the laser resonator where the high energetic laser beam is created by a reaction of gases and electrical energy. And the quality requirements are obvious; a device treating up to 200 eyes a day must not fail when the vision quality of a patient is at risk.”



Thomas Lingenberg,
Business Area Manager
High Purity of GCE.

Delivery precision expected

With a “Just In Time production process” WaveLight manages optimal inventory and expects delivery precision from all parts involved. The company arranges annual supplier reviews to pinpoint quality and process control. In return WaveLight rewards suppliers with a yearly review and ranking according to shortest availability and precision of arrival of the goods not later than required but never earlier than requested. ■