

Warming up to growth



It takes a special company to turn an everyday household appliance into an exciting product. In the home heating industry, that company is Faral S.p.A. Based in Campogalliano (Modena) Faral is the leading manufacturer of aluminium radiators in Italy.



Biagio Sisinni, Faral's managing director since 2009



Managing Director Giovanni Fregnan

Founded in the 1960s, Faral introduced the die-cast aluminium to the market, which revolutionised the home heating market. Although the industry traditionally used steel to make radiators, Faral discovered that aluminium was a better material for a variety of reasons. Not only was aluminium lighter than steel, but it was also cheaper to install and used less energy.

In 1970, Faral introduced the brand Tropical, which quickly became the leading brand in the industry. Today Faral still markets the Tropical brand, which comes in five different models. It has also used its know-how to create an entire catalogue of aluminium die cast radiators to suit the needs of any interior space. Faral's success soon attracted interest from larger companies. In 1980, the Swiss firm Zehnder acquired

Faral as a means of getting a foothold in the Italian market. Faral remained a part of Zehnder until May 2008, when Zehnder decided to focus on the steel radiator segment and Faral no longer fit into its strategic plan. Zehnder found a buyer in Bavaria Industrial Kapital Group, a Munich-based private company with a 2008 turnover of 485 million EUR.

Two of Bavaria's own leaders, Giovanni Fregnan and Biagio Sisinni, helped Faral return to a profitable state. To help Faral regain its stride, Mr. Fregnan and Mr. Sisinni implemented a number of new ideas. "We automated part of the production process and had to trim salaries," explains Mr. Sisinni. "But we are both proud that we could come to a mutual agreement with the unions over the cut in wages."

The agreement stipulated that none of Faral's 200 employees could be laid off. The new implementations will take a while to show results. In 2009, Faral's reduced sales totalled 23 million EUR, a loss of five million EUR from the previous year. However, in 2009 the company scaled back by nine million EUR. Furthermore, it also successfully applied a value stream map to scientifically address logistics and customer service. This optimised inventory, and through higher productivity in the foundry as well as in the assembly department, Faral was able to improve its margins. Part of Faral's improvement to the bottom line also came from its devotion to perfecting its products and innovating in unusual ways. It produces a full line of radiators in different sizes and colours ranging

from traditional radiators to ones that provide maximum resistance to high pressure. Through the implementation of the "Faral Quality and Production Excellence System," Faral can be sure that all of its products are manufactured to the highest standards in the industry, enforcing its ISO 14000 standard. Furthermore, it has invested in training its employees in maintenance to improve cleaning, inspection, lubrication and tightening cycles in the plant. Investment in training for other skills has helped to increase the efficiency of the factories. Faral has managed to do all of this while keeping an eye on costs, product cycles and waste. Faral also continues to look toward innovation for growth. As a member of the AIRAL (International Association of Aluminium Radiators), it



Faral's headquarters are in Campogalliano



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helps educate about and promote the use of aluminium radiators. Faral also continues to invest even more money into its research and development department. In 2009, it put

about 40% of its sales in Italy, selling to wholesalers. It earns 60% of its sales by exporting to France, Spain, Poland, Argentina and Russia, selling to importers and agents.

managers hope this tactic of unusual novelty products presented in an unusual fashion will help build interest. It plans to showcase this display at the Mostra Convegno Expocom-



The company's new innovations include novelty radiators with built-in loudspeakers and light

Faral's portfolio includes traditional radiators



5.2% of its sales into R&D, and this year it plans to increase that amount to 7% of sales. In return, the development team has come up with some interesting innovations, including novelty radiators with loudspeakers and LED displays. With new products and processes put into place, Faral hopes to increase its sales footprint. Currently it claims

"The South American markets are small, but they have great growth potential," says Mr. Sisinni. Faral also hopes to build interest in its products through an increased presence at industry fairs. "We have invested 400,000 EUR in a 6 m tall wall that's built out of our Tropical radiators. It looks very futuristic," states Mr. Sisinni. The

fort in Milan, the SHK Moscow fair for building services and energy technology and the Mostra International trade fair for installations and equipment in Poznan, Poland. Should Faral's marketing strategies generate interest, it should certainly heat up its sales. ■

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