

# Like father...

TEREX CRANES' acquisition of Demag has transformed the company into a billion dollar crane business with almost 80 percent of sales outside of North America, the majority coming from the latter firm. Demag's philosophy, however, with a heavy concentration on engineering, sales and product support, not to mention vertically integrated production plants, could hardly be more different to Terex's usual outlook.

Under Terex, though, and now in the hands of Steve Filipov, Demag appears to be on a role, with a rising market share, a highly motivated sales force, an engineering group that seems to know no bounds and exciting new products popping off the drawing board at an incredible pace.

## The interview

**Cranes & Access:** *How do you plan to consolidate the different crane producers within the Terex group, with their own brand identities, to optimize synergies?*

**Steve Filipov:** I suppose you mean the different legal entities such as PPM, Bendini, Demag, etc? We are going through a transition at Terex and have focused strongly on building our Terex brand name throughout the range of products we offer, but this will take some time.

**C&A:** *Terex has several national producers. How will it be managed to achieve a seamless, effective international distribution network?*

**SF:** Difficult to say how we will tackle this one. We have several distributors outside Europe doing a good job, but we must improve. Asia, Middle East and South America will be our development areas for 2004 and 2005. We have the product line to offer high quality, best value cranes to the market, which we did not have prior to Demag.

We have our own distribution in Germany, France, UK, Spain, Italy, US, Australia and China and we plan to continue this type of distribution in the future in order to offer our customers the best product support.

**C&A:** *What will happen to the different factories in Europe and the US?*

**SF:** We will continue to operate our two US locations [Waverly and Wilmington] and also our international locations. We have no plans to close any other locations in the near future. At most of our international locations, where we have a manufacturing facility, we command the



In late 2003, Fil Filipov stood down from his role as president of Terex Cranes and named his son as his successor. The decision appears to not only have been a shrewd one, but also a successful one. Leigh Sparrow talks to Steve Filipov.

majority market share, such as in France, Italy, Australia, and soon in Germany.

**C&A:** *Terex Cranes' revenues of US\$1 billion in 2003 was impressive, but included disposals such as Schaeff and non-repeating used cranes sales. You are forecast a fall in revenue in 2004, due in part to these factors. What is the underlying revenue trend?*

**SF:** We should be in the \$900 million range for 2004, which is roughly flat compared to 2003 [on a like-for-like-basis]. The fall is only due to the clean-up of used equipment at Demag and several 'one-time' orders for our CC8800 crawler crane to Japan and Sarens.

**C&A:** *The Terex attitude, most particularly when it comes to cranes, seems to have shifted from 'pile it high, sell it cheap', to a heavy concentration on engineering and new product innovation, not to mention a healthy respect for sales and marketing. Is this perception an accurate view of your philosophy?*

**SF:** True, as I said before, we are going through many changes at Terex and must focus our efforts on delivering the best value, which is what you will be seeing more of. We are no longer Terex Lifting with aerial platforms and telehandlers etc, but a \$1 billion crane company, which we need to continue to grow, some via market share increases, but also via new and innovative products. My vision for Terex Cranes going into 2004 is to become the most profitable, best value, and most innovative crane company in the world, while providing the best product support in the industry!

**C&A:** *What are your plans for the IHI product in Europe? Do you intend to put more power behind these branded products, and what about the German market for small to mid-sized crawler cranes, which seems to scare many importers?*

**SF:** This is not a very big market [50 t to 100 t], although there have been many 200 t class cranes sold in the past few months at unbelievable prices. I am glad we didn't introduce any new products in this class!

The smaller cranes need to be sold in a different way - directly to the construction company, and will need some work. We will also be working on manufacturing the booms in Zweibrücken in order to save on transportation from Japan and be less vulnerable to the Yen.



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# like son?

We have sold over 200 units in the US and it is one of our most reliable cranes in the product line. There is no reason why it cannot work in Europe.

**C&A:** *You have a self-erecting tower crane line in the group with Ferro, a product type that is growing in non-traditional markets such as the UK and some other Northern European areas. What are your plans for this line and do you sell any in Germany?*

**SF:** This has been a great acquisition and we have doubled production in two years, mainly in the Italian markets, but also in France against Potain.

The UK and Germany are not a very big markets. We have concentrated on France and Italy, but will move into Germany as our Peiner product gets ramped-up in Zweibrücken.

**C&A:** *It would seem that Terex has a great deal of tower crane capability, but it is fragmented, disjointed and not uniformly marketed. What plans do you have for tower cranes?*

**SF:** We will be working on growing the Terex franchise and you will soon see Terex Towers [flat-top tower cranes, self-erecting cranes, and tie bar cranes] develop into a strong 'number 3' in the industry. We have had many issues with the tower crane business with different cultures and product lines, such as the closure and start-up of tie bar cranes at Demag, but we will continually grow this business. Comedil had an excellent 2003 and going into 2004 things look very positive. We have a lot of opportunity to grow this business and I think it will be a strong one for Terex Cranes moving into 2005 and 2006.

**C&A:** *Is production of Peiner tower cranes now up-and-running in Zweibrücken, and has the move from Trier had any effect on production capability in terms of production capacity?*

**SF:** We started building our first crane in February and saw it come off the production line for the US market in March. There has been no real change or problems with the start-up, as most of the sub-suppliers are very near to Zweibrücken.

**C&A:** *What do you consider to be the most important action that would need to be implemented in order to really start gaining market share in Germany?*

**SF:** I think we have already started this. A sense of

urgency, and to let people know we are here to sell and service cranes. I think the results of the first pass are good considering we moved into the number two position in Germany in 2003.

In addition, the new products we are introducing are very important in letting our customer base know that we are here to stay. Germany has always looked at innovation and I think we have shown them several new and interesting products in the past 12 months.

**C&A:** *If any, what products do you consider Terex-Demag or Terex Cranes still needs to complete the product range?*

**SF:** Our stacker business has been very good in the past two years, and I think there may be an opportunity to find some more products in the port industry.

**C&A:** *In your 2003 results announcement, the company seems to be aiming for a one to two percent improvement in operating profit. Where will this come from?*

**SF:** Cost reductions are a major factor here and we are continually looking for ways to reduce cost, but also be more efficient in our factories. We have many locations that we can compare and benchmark, which is how we achieve some of these results.

The other factor here is to reduce our warranty costs and improve our quality coming out of the factory. Nobody is perfect, and we need to work on this.

**C&A:** *How much is your father involved in the crane business these days?*

**SF:** Not much! Tatra is a big job with 4,500 people and fully integrated production. I would be lying if I said we did not talk about the crane business over dinner, but my father has prepared himself, and Terex Cranes, for this transition. Remember, someone once said, 'nothing is forever!'

**C&A:** *What are the main strengths of Steve Filipov?*

**SF:** I would tend to say sales and marketing would be my main strength. I have always been close to the customer base since I started in 1993, which has helped us grow the business substantially.

I have had experience in the production side with Atlas and PPM, but I think the key to success at Terex Cranes is to maintain that direct line to the customer. Production, efficiency, safety and quality all need to be continually improved and this is a full-time job.

**C&A:** *The news that Terex had been successful with its Sideways Superlift (SSL) system patent complaint against Liebherr surprised many at bauma. You have stated that you do not wish to cause distress to any end users who purchased Liebherr or Grove cranes. How do you anticipate the outcome of any agreement?*

**SF:** We are still in litigation, therefore I cannot comment on the outcome, however we would like to find a solution that works for everyone and does not hurt the customer base by only having to go to Terex for this technology.

**C&A:** *There are a number of LTM 1500s that are on order. Under the terms of the recent Mannheim court ruling it would seem that these cannot be delivered and the companies that are waiting for them are understandably concerned. What do you expect will happen to these units in limbo?*

**SF:** We will need to try to solve this issue as quickly as possible in order not to make customers wait, whether they are Terex or Liebherr customers. The objective with this litigation is not to make customers cancel orders on Liebherr and be forced to come to Terex, but to get compensation for technology that was invented and patented by Demag. I think the sooner we find a solution the better.

**C&A:** *Does Terex plan to acquire a company with refrigeration or ice-making technology?*

**SF:** Not in this lifetime!

## What is your favourite . . . ?

**C&A:** Film?

**SF:** Wall Street

**C&A:** Song?

**SF:** Phil Collins - One more night

**C&A:** Gadget?

**SF:** The Blackberry

**C&A:** Hobby?

**SF:** Sports Cars

Steve Filipov has had a far from regular upbringing. Born in Chicago of a Bulgarian father and a Cuban mother, he moved to Paris at the age of 12, was educated at a boarding school in Brussels before attending college in Texas. He now lives near Paris with his wife and two young daughters.