

## CHINESE AMBITIONS

**Milan-based driver specialist FaitalPRO has set its sights on China, where the company believes that quality and added value will ultimately triumph**

‘IF THINGS PROGRESS THE WAY THEY have been poised to progress then I think we have a chance to be the biggest foreign supplier of loudspeaker drivers to China within a couple of years.’ So says Flavio Naggi, manager of the pro audio division of the more than 50 year old Italian manufacturer Faital SpA, and while it might sound like a bold statement, he means every word.

He may also be correct. Over recent years Faital has paid close attention to the growth of China, and subsequently done the sums - a rapidly swelling sector of domestic Chinese loudspeaker manufacturers added to the stamp of European quality that Faital can deliver equals a winning combination. The company is now focusing more of its energy than ever before on achieving its Chinese ambitions.



In this it is of course far from alone - targeting China is the norm rather than the exception, regardless of which sector of the industry you happen to be in. But achieving success in the People's Republic is a little different for a manufacturer not of finished products but of components,

particularly as China is arguably now far more brand aware than in the past.

‘The quality of our products is absolutely one of the main arguments that we bring to the table, but we must never forget that brand awareness applies mostly to the finished product, which is the loudspeaker system, whereas we are a component maker’ says Mr Naggi. ‘Until recently, for many Chinese manufacturers, the assurance of quality was given by the components that were used inside a product. Now that’s changing and it’s become more about the finished product and the perception that the market has of it. That’s more like Europe and the USA, and it makes the Chinese market more challenging in general.’ To help meet that challenge, Faital has taken a series of steps that signal its broader intentions going forward. Tellingly, the most important part of its plan is listening carefully. ‘We’re a listening company,’ says Gianluca Turra, the pro audio division’s area manager for Asia. ‘When our Chinese clients propose new ideas, we listen. I travel to China at least every 40 or 60 days. Why? Because we want to understand where the market is going. It’s about building relationships.’

To ensure that those relationships flow as smoothly as possible the company has also employed its first on-the-ground, full time Chinese representative, Noelle Liu. ‘Noelle is a wonderful woman who has always worked in the audio business,’ explains Mr Turra. ‘She joined us in the late summer of 2014, and she has a full agenda throughout the territory, finding new opportunities and working with our existing clients.’

He adds that Ms Liu works closely with FaitalPRO’s distributor, Panyu-based Fine Sound Transducers Company. ‘Our strategy is to satisfy the market on a distribution level through Fine Sound, supporting them directly in the field as well as in trade exhibitions. While assisting our distribution activity in person, Noelle is also seeking out opportunities of the kind that require a direct relationship, such as larger sized companies who are looking for dedicated products for dedicated applications. In other words, OEM contracts.’ It says a great deal about how China’s role in the global industry has changed that highly respected western companies are now seeking OEM opportunities with Chinese manufacturers. However, it should come as no surprise at all that this is a key part of Faital’s strategy. The company has long been an OEM powerhouse, as rejected by its success within the automotive industry.



‘Faital made its name in the automotive market,’ acknowledges Mr Naggi, adding that the experience fundamentally shaped the company’s philosophy and culture.

For an example, he points to the fact that Faital products are manufactured in Europe (the company has facilities in Italy and Hungary) rather than countries offering lower cost labour. ‘Like any large industry, the opportunity of manufacturing in lower cost countries came along a long time ago within the automotive business,’ he reasons, ‘it’s not recent for us. But in all the years that we have operated successfully within that business, we have never set up a factory in China. At the end of the day, if you know what you’re doing then you can do it well in China, or you can do it well in Italy.’ In terms of remaining competitive, he argues that European manufacturing can still

maintain an edge without having to sacrifice quality as long as efficiencies are found and developed over time. Equally, he adds, the fact that Faital products sometimes cost a little more can be seen as an advantage.

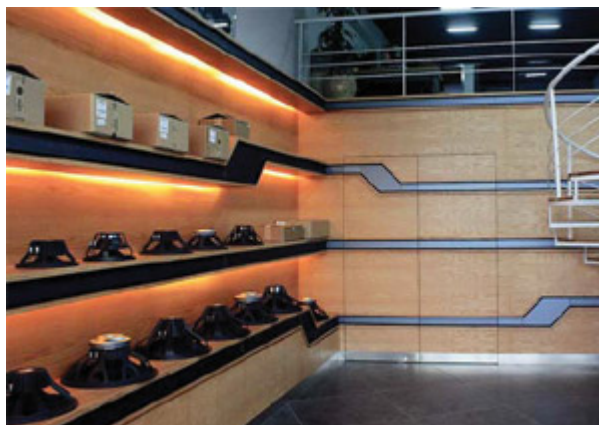
Meanwhile, the company’s OEM experience means that it is used to working in strict secrecy. ‘When we work with an automotive company we sign NDAs for designs that will only fit into one specific car,’ says Mr Turra. ‘So we are used to making a dedicated product for a very specific application, and that also involves a long process of getting to understand what the client likes and expects.’

Having listened carefully to the market, the company brings that intelligence back to its Milan headquarters, the home of R&D.

Visitors who step through the main entrance and themselves standing in a simple, modern sales and administration office, as modest as it is efficient. But this is just the command centre of a far



larger vessel; after a short walk down an unassuming corridor, the facility's TARDIS-like proportions become clear. The building is enormous with enough space to house everything an R&D engineer could dream of in a long succession of laboratories and testing areas. It's easy to understand how Faital can shape itself around a client's requirements. 'We enjoy having clients visit our R&D area to see the added value,' says Mr Turra. Indeed, added value is FaitalPRO's main argument as it seeks to grow its market share in China. Mr Naggi believes that the Chinese market now places great value on the ability to be flexible and deliver a specialist product. To illustrate why, he cites the recent anti-corruption crackdown and the subsequent effect on the entertainment industry.



'In the many years that we have worked with Chinese people we have learned that they always keep their eyes open and they adapt,' he explains. 'So we're very careful in watching where they will go next - we're absolutely ready. For the past six months we have been observing and cooperating with our strongest Chinese partners so that we understand which way they're going to go and so we can provide the perfect solutions to help them do it quickly.'