

A Firm Foundation

With more than 150 years of experience, Kährs Group is producing and marketing wood floors to customers across the globe through a focus on quality, innovation and environmental responsibility.

Images courtesy of Kährs Group

In 1857, Kährs was established in the small Swedish town of Nybro in the heart of a Swedish forest. Since that time, Kährs has refined and developed a vast network of experience and knowledge and spread deep its roots throughout the industry.

Utilising this longstanding longevity, Kährs Group has an extensive range of wood flooring products for private, public, and commercial applications in Europe, the United States, and globally, including flooring-system products, floor-care and accessory products, and installation products.

These products are sold to builders' merchants, dealers, and retailers in more than 50 countries. As one of the oldest manufacturers of wood floors in the world, Kährs consistently delivers high-quality, environmentally conscious products to its customers across the globe.

The CEO Magazine sat down with Christer Persson, President and CEO of Kährs Group, to discuss

the company's focus on innovation and quality, and its exciting expansion into new products and markets.

***The CEO Magazine:* How have you improved the health of Kährs Group and made it the European leader in its sector?**

Christer: I think it's a combination of factors. You have to go back a few years to when Triton acquired AB Gustaf Kähr in mid-2011. It had to go through a significant restructuring at that time. We initially undertook a significant cost-saving program and we made changes to the group management team, with increased focus on the market side. It was, to some extent, a complete overhaul of the company.

Another main trigger for this move forward was at the end of 2012, when Kährs Group was founded through the merger of AB Gustaf Kähr and Karelia-Upofloor Oy, which was the absolute market leader in Finland and Russia. Combined with AB Gustaf Kähr's market leadership in Sweden and

Norway, our solid position in central Europe in countries like Germany, Switzerland, and the United Kingdom, and our position in the United States, it was a great partnership.

What we have done since that merger is we've placed a strong focus on the integration to make sure that we have captured the synergies in many different areas, both on the market and logistics side, and purchasing and production on the supply side. We have changed the supply footprint and added on a few dimensions on the market side, especially when it comes to certain product groups, and we've also added more resources to further penetrate the markets.

How are you encouraging innovation and development throughout Kährs Group?

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We've also tried to shift towards more market and customer focus, rather than our previous technical focus. If you go back five to ten years, the industry was very technically-driven. What could be produced in the factory was put on the market. We have made a shift, and now, I wouldn't say we're a fashion industry—that's too aggressive—but we're launching products and design concepts more frequently than we did in the past. Historically, we launched products once a year; now we try to be closer to our customers, offering new solutions and launching multiple product lines throughout the year.

How has the power of group management changed the company and its approach?

We have turned the company into more of a sales- and market-driven organisation. I'm not saying that

we're less focused on supply with production, logistics and purchasing, which is still important, but we've shifted into a market-focused organisation across the markets that we're in. This shift was also reflected in the changes of our group management where we now have representatives from the sales regions who have full profit and loss responsibility and report to myself. The group management is quite traditional but it's a big change from the past model.

What do you think is the secret to the success and longevity of Kährs Group?

I think that the secret, and that goes for many successful companies, is to be at the forefront of innovation and to be able to handle the customer's needs in various markets. First of all, our industry is operating in a very fragmented market; preferences for floors in south Europe, China, the US, or the Nordic region are quite different.

You need to pay close attention to what's going on and you have to be the innovator and make a difference. Otherwise, it's very easy to become some kind of a commodity business where you deliver floors with extreme price pressure. To distance yourself from that you need to take the lead on the innovation side.

How are you considering sustainability and environmental concerns? Is it something that is important to Kährs?

It's very high on our agenda and we are operating with high focus on this internally. Our environmental ambassador inside the Kährs Group and his team are focusing on ensuring that we have the right structure and requirements in place in the different markets. This is a very high priority for us.

I'm not saying that we would like to be the absolute number one in every aspect, but we would like to

be on the top in the environmental area. There is a history in the Kährs Group. We started back in 1857 and decade-by-decade we've tried to do our part, especially in the last two decades. It's been very high on the agenda for us.

This is not only a company-driven thing; this is also something that is high on the agenda for our main owners, Triton. They have a focus on this and we have special committees to deal with the issues which we follow in monthly and quarterly follow-up meetings. Naturally we need to stay updated on rules and regulations as well as making sure we comply with market demands and demands from certifying bodies. This is different from the past where companies would try to follow the rules. Now customer demands are setting the requirements and standards higher, and there is a constant dialogue between us and our customers.

If you have a history in this arena then you have an advantage because you have the processes in place and the competence among the staff to act quickly to changes in demand.

What are Kährs' environmental policies?

What it's all about is that there are a number of demands from various stakeholders that we need to relate to, around how we treat the logs, the sourcing of material, our surroundings, and our people.

There are a number of certificates that we use in governance of our operations and a large number of product certificates for the different markets. We need to make sure we actively work with the most important and credible certificates. This is a balance since there is a huge opportunity in it, but it is not possible to go into everything so you have to make a choice to go for the most trustworthy and reliable organisations to incorporate with.

It's difficult and demanding on resources, but it's definitely ›



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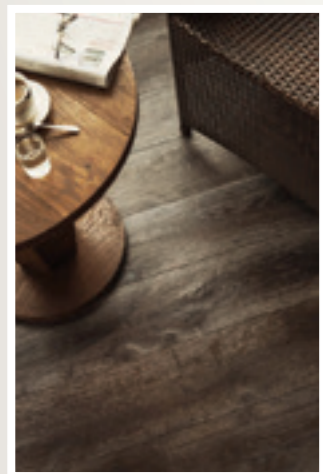
FUSONG JINLONG

WOODEN GROUP CO LTD

Fusong Jinlong Wooden Group Co Ltd is a Sino-Foreign joint venture. Located at the foot of Changbai Mountain in China's Jinlin Province, Fusong Jinlong Wooden Group has access to rich resources, and also can source raw materials from Russia and Suifenhe. The company also has a branch factory in Dalian as an external gateway. The company was established in 1997 and has since developed 10 production lines.

Fusong Jinlong Wooden Group has three branch factories which produce normal oiled and lacquered products, antique products, and two-layer back groove products, and one branch factory which mainly produces click product. All four branch factories are managed by Fusong Jinlong Wooden Group but at the same time they have their own characteristics. The estimated volume currently is 4 million and will reach 5.6 million if it goes into full production.

The product is mainly single-strip engineered flooring with a variety of designs available in each collection. Most of the products are exported to Europe, America, Australia, and Southeast Asia. **Fusong Jinlong Wooden is the main supplier to Kahrs, Fetim, Margaritelli and Parador in China.** The products retain a good reputation by customers both old and new. The company has a professional team who work on developing new products and keep making fresh products each year.





something that reaps results if you work determinedly and wisely with it.

How do you nurture longstanding relationships with suppliers and partners?

This is an absolutely key part in our success—to have good relations with our suppliers. The main components that we rely on are wood and surface treatments, as well as transport and logistics services. In those key areas we have very strong relationships with our suppliers. I would say it's not only a supplier–customer relationship; it's also a partnership where we work together to try and find the best solution for the long term.

Our lead buyers have responsibility for different key areas and manage these areas closely with the different suppliers, whether it's the lacquer or wood. They are a dedicated team ensuring that we get the best out

of our long-term relations with our suppliers and partners.

What is your strategic vision for Kährs Group?

The strategic vision is quite basic for us. We would like to grow, as every company would, and we believe that we can do that organically by taking market shares in a number of markets. We feel we can do that because we are innovative, we have a good concept, and a good organisation and strong owners behind us, but we are also open to grow by acquisitions.

We should keep in mind that we are operating in a rather unconsolidated industry, meaning that there are a lot of smaller companies that could be merged to larger corporations. I think that the trend is already in place and underway. We see some ongoing activities which I believe are good for the market and the industry.



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We are focusing on a number of key markets—the Nordic region, Russia, central Europe, the UK, and the US. If you look at how many markets we are strongly focused on, it's around 10–15, even though we are present in more than 50. We spend most of our time and resources on those 10–15 markets to make sure that we have the density, that we can make a difference in those markets, and make them into profitable businesses.

Do you have any final thoughts?

I think it's important to highlight that the flooring industry is still an unconsolidated industry. There is room for consolidation, and I think there are a few players that can utilise those opportunities—Kährs is absolutely one of them.

One more aspect that is interesting about Kährs is that we are now also in the resilient flooring business, where we have a unique set of PVC-free flooring, which is interesting for us and highly appreciated by the market.

Last autumn, we received an important order for this flooring from a large and prestigious hospital in Stockholm, Sweden—the New Karolinska Solna University Hospital, which is ranked in the top 10 of medical universities globally. The Nobel Assembly at Karolinska Institutet is the body that awards the Nobel Prize in Physiology or Medicine.

They are expanding this huge hospital with the construction company Skanska. We won the flooring tender at Karolinska with our brand Upofloor and we will deliver 125,000 square metres of PVC-free resilient flooring to be installed throughout the hospital. This is a unique product that we will now launch and roll out in a number of new markets in Europe and the US. This should be seen then as a complement to the hardwood flooring.

When you talk about the environmental side, it's interesting because historically on the

hardwood side we've had a very high environmental profile. We now can add the resilient side, with PVC-free, which is unique, and as a result we offer both resilient flooring and hardwood flooring with high environmental profiles.

The PVC-free resilient flooring was a product concept in the Karelia-Upofloor business when we merged, and at the time it was basically a Finnish operation. What we have done is that we have developed the concept even further and we have started to strategically introduce this concept in a number of markets, in central Europe, in countries like Germany, Switzerland, and Austria, and in the United Kingdom, and the US market on a broader scale. This autumn we will launch a PVC-free, homogenous resilient flooring, which is the first one in the world. It is part of the concept development of Kährs Group and this product ties into the group's strategy on a higher level with its environmental profile. •

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