Why do steel companies engage in strategic alliances?

What is the relevance of cross-border strategic alliances for the industry as a whole and for each selected company?

What will be the strategic alliances of the future, and which steel/mining companies will be involved?
The increasing popularity of entering into various forms of strategic alliance or partnership among steel companies is a very relevant trend, which has considerable impact on a company’s current and prospective performance. And the issue of company strategic alliances has never been so important as it is today for the steel industry.

The big steelmaking giants rarely gain market traction and dominance without using partnerships in one way or another.

Consequently, steel enterprises and its customers and suppliers must understand how to play the strategic alliance game!

Metal Bulletin Research (MBR) has published a comprehensive study, *A Critical Analysis of Company Strategic Alliances within the Global Steel Industry* which provides a database detailing well over 480 strategic alliances having been developed within the steel industry by each key steel company.

Steel companies have adopted ever more partnerships with rival firms than ever before, each differing to one another with regards to:

- **a** The main reasons and motivation on the part of the boards of directors
- **b** The benefits to both parties any strategic alliance brings
- **c** How strategic alliances relate to various stages of production within the steel industry
- **d** How long such strategic alliances typically last among steel companies
This study is required reading for all industry professionals that have an interest in the future of the global steel sector and is brought to you by the leading global industry consultancy in this area:

- Steel companies should buy the study to understand how they are comparative to peers in the management of strategic alliances
- Suppliers and customers should buy the study to better comprehend how steel companies act as a long term partner
- Merger & acquisition organizers should buy the study to realize which is the best fit of partnership for a target that belongs to the steel industry
- Financial investors should buy the study to identify potential opportunities

**Company Strategic Alliance Example – Baosteel: Key associations with Mitsui and Metal One**

<table>
<thead>
<tr>
<th>Joint Venture</th>
<th>Baosteel's Stake (%)</th>
<th>Partners</th>
<th>Country</th>
<th>Date</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai Bao-Mit Steel Distribution</td>
<td>75.0</td>
<td>Mitsui (25%)</td>
<td>China</td>
<td>1993</td>
<td>Flat processing and distribution</td>
</tr>
<tr>
<td>Wuxi Baomit Steel Processing</td>
<td>51.0</td>
<td>Mitsui (49%)</td>
<td>China</td>
<td>1996</td>
<td>Flat processing and distribution</td>
</tr>
<tr>
<td>Tianjin BCM Distribution</td>
<td>40.0</td>
<td>MetalOne (25%), Zhongchu Development Stock (35%)</td>
<td>China</td>
<td>1998</td>
<td>Distribution</td>
</tr>
<tr>
<td>Yorozu Bao Mit Automotive (YBM)</td>
<td>25.0</td>
<td>Yorozu (51%), Mitsui (24%)</td>
<td>China</td>
<td>2003</td>
<td>Auto stamping parts</td>
</tr>
<tr>
<td>Guangzhou Huadu Bao-Mit Automotive Steel Parts</td>
<td>65.0</td>
<td>Mitsui (35%)</td>
<td>China</td>
<td>2005</td>
<td>Laser tailor-welding blanks</td>
</tr>
<tr>
<td>Rihong Stainless Steel (Shanghai)</td>
<td>20.0</td>
<td>Nisshin Steel, Mitsui, Hanwa (80%)</td>
<td>China</td>
<td>2007</td>
<td>Flat processing</td>
</tr>
<tr>
<td>Wuhan Yorozu Bao Mit Automotive (WYBM)</td>
<td>24.0</td>
<td>Yorozu (51%), Baosteel Metal (25%)</td>
<td>China</td>
<td>2010</td>
<td>Auto stamping parts</td>
</tr>
</tbody>
</table>
Joint ventures accounted for roughly 70% of steel company strategic alliances in the last three years.

Over half of steel industry strategic alliances were based in Asia, followed by Americas with a 27% participation rate.

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Call our hotline on +44 (0) 20 7779 8000 or visit www.metalbulletinresearch.com for a detailed synopsis of each chapter of the study.

Part 1: The issue of strategic alliances at a glance

Part 2: Strategic alliances by steel company during the period 2010-2012

Part 3: The Strategic Alliance Index (SAI)

MBR has developed a Strategic Alliance Index, which is a combination of six quantitative and qualitative indicators:

1. Importance of strategy alliance for company’s growth
2. Number of partnerships
3. Average duration of strategic alliances
4. Degree of operation control
5. Degree of conflict with partners
6. Proportion of divorce

Part 4: Analysis of strategic alliances by production stage, location and main motivation

Part 5: Detailed by company analysis for 24 key global steel companies including:

- Nucor
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- JSW
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- Usiminas
- Evraz
- Posco
- Baosteel

Part 6: Critical analysis and conclusions of how each company has approached the issue of strategic alliances and future developments on the horizon