

KLAFS

HOT

Customers can sweat in a tropical rain forest, roll in the purest powder snow, float on “Cloud 9,” refresh themselves in ice fountains, and enjoy hydrogalvanic baths—style, innovation, and unusual ideas have made Klafs, a sauna manufacturer from the southern German town of Schwäbisch Hall, the world’s market leader.

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Customers place the highest demands on how their wellness and sauna facilities are designed. Klafs' engineers blend attractive facades with state-of-the-art technology.

Stefan Schöllhammer does not have fond memories of his first sauna session at age 17, commenting that “I thought it was way too hot.” His opinion didn’t change for quite some time. That is, not until he suddenly found himself the owner of a sauna manufacturing company. At the age of 34, he and some friends took over the Klafs sauna company, which was bankrupt at the time. Today, this mid-sized firm in Schwäbisch Hall, Germany, leads the world market with total sales of 96 million euros (2012).

Inspired by stories he had heard from former Finnish and Russian soldiers, Erich Klafs built his first sauna in 1952. His initial customers were medical convalescence centers, followed by some municipalities and an ever increasing number of private individuals. After his death, the company entered the solarium business in the 1970s, which went so well that the new owners neglected their traditional métier. Saunas from Klafs were considered old-fashioned and conservative. When the solarium boom ended and a company expansion in the USA didn’t work out, Klafs had to file for bankruptcy.

Schöllhammer, who now had a degree in industrial engineering, was co-owner of G. Lufft Mess- und Regeltechnik GmbH, a company that supplied Klafs with thermometers. The bankruptcy turned him into a creditor overnight. At first he was shocked.

But he and his partners quickly recognized the potential—and took action. The customers remained skeptical, however. Schöllhammer clearly remembers the pitying looks he received at the industry’s “interbad” trade fair in 1992.

Back at home, proposals sent by various business consultants on how to make saunas more inexpensively landed in the wastebasket. Schöllhammer had other plans. Instead of being an uninspired assembly of individual components, each Klafs sauna was given an integrated style that covered everything from its beds and its oven to its door handle. In addition to design and quality, German engineering was in demand. This led to the development of user-friendly sauna controls. Then came the advent of oxygen therapy in saunas. And artists transformed them into tropical rain forests with soundtracks of twittering birds. For environmentally conscious customers, Klafs developed saunas and steam baths that use up to 40 percent less power. Stressed office workers could enjoy power naps on beds that rocked back and forth. For customers with space restrictions, the engineers developed a mini-sauna with a surface area of just two square meters. The ergonomically designed bed known as “Cloud 9” provides serious relaxation as users are rocked gently to music while surrounded by clouds and colors (see photo to the right). Pity quickly gave way to admiration. Private individuals were the first customers to return, followed by hoteliers and pool and spa operators.

The boss has long become accustomed to the heat. The family dog is said to search in vain for a cool spot to snooze in Schöllhammer’s office. “I go to the sauna twice a week, even in summer,” Schöllhammer says. He hasn’t had a cold in ages. He reels off all the great reasons to use a sauna. “It strengthens your immune system. It improves circulation to your skin, and stimulates your cardiovascular system and metabolism. It keeps you in good shape into old age. It’s not only medical studies that tell us this,” he adds—“we hear this also and especially from our customers.”

**“I GO TO
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Half of all Germans over the age of 14 go to the sauna on a more or less regular basis. The custom in German-speaking regions, whereby men and women use saunas at the same time without clothing, is less common or even prohibited elsewhere. Although Finns, Russians, Swedes, and Norwegians also use saunas in the nude, they strictly separate the sexes. In England, Poland, and France, bathing suits are mandatory. The Americans are the most finicky of all. As Schöllhammer observes, “They’d never even go into an all-men’s sauna without swim trunks.”

The Finns, who gave us the original word for “sauna,” are known as the most enthusiastic fans of sweating. The country has more than two million saunas for its five million inhabitants. Germany with its population of 80 million people has only about

1.7 million, according to estimates from the Deutscher Sauna-Bund (German Sauna Association). “Germany is still the world’s largest market for saunas,” says Schöllhammer. The sector posts earnings of 100 million euros a year. Half of all customers buy their saunas from hardware or building supply stores, although this accounts for only a quarter of the business in monetary terms. The other 50 percent of customers purchase directly from the manufacturers. Klafs accounts for half of these sales.

But the company does not wish to rely too much on its domestic market. The second most important market is Austria. This Alpine republic is responsible for around a quarter of sales, followed by Switzerland. Business elsewhere in the world is suffering from the financial crisis. “Ireland and also the Baltic states used to build one or two luxury hotels a year, but now the market isn’t moving at all,” observes Schöllhammer. He currently has hopes for Russia and Poland, however, which combine growing prosperity with a sauna tradition.

Klafs gets about 60 percent of its business from private customers, who spend an average of 12,000 to 13,000 euros for their saunas. The remaining 40 percent of the company’s business is spread among

hotels, fitness studios, medical convalescence centers, cruise ships, and public pools and spas. Orders from publicly owned facilities have become few and far between. “Of course it’s easy to see why municipalities will build a cafeteria for schoolchildren before they modernize a sauna,” says Schöllhammer.

Oil millionaires and Russian oligarchs are much more lavish in their spending. The sauna in a villa owned by a wealthy customer in Moscow was not only extravagant and nearly five meters high, but was also furnished with a floor-to-ceiling brick oven. “You’ve got to start heating these enormous saunas 24 hours beforehand, but that doesn’t seem to be a problem,” he says. Because the demanding clientele likes to roll in the snow immediately afterwards, Klafs has designed a cabin that blows the finest powder snow into a winter landscape at a bracing minus 10° Celsius. Even Schöllhammer has to smile at some of the unusual wishes of his customers. Such as the owner of a luxury yacht who insisted on having facilities for two open fires in his sauna. Or the operator of a Finnish funicular who wanted to transform one of the gondolas into a sauna. The German engineers mastered this challenge as well. Guests can enjoy the view for three rounds in the gondola as sweat drips into their eyes. ←



Floating in seventh heaven: stress subsides in the relaxing environment of the “Cloud 9” sauna, with its colors, sounds, atmospheric lighting, and fleecy clouds.

STREAMLINED SAUNA PRODUCTION

The sauna builders at Klafs realized that they could learn from Porsche how to make their production system more efficient. Not only that—working together with Porsche Consulting, this mid-sized firm is also learning how to make its processes in indirect areas leaner, and how to optimize the entire company by restructuring its business units.

There was a time when the new boss would have sent them packing—all those external consultants who claimed to know what would guide the Klafs company out of bankruptcy. Stefan Schöllhammer climbed to the top of the world's market without them. Upon arriving at the top, he then invited them in of his own accord. "We had grown a lot and our production was bursting at the seams," he says. The warehouse was overflowing, the throughput times were too long, and half-finished assemblies were always standing around in the way. The production and logistics departments wanted eight million euros to build new facilities.

But there's a way to do it differently. "We can learn from the automotive industry," said Schöllhammer, an industrial engineer. And he asked Porsche Consulting for advice. The consultants met with the experts from production and logistics for numerous long talks that often extended late into the evening—and together they defined the Klafs production system. They then grouped the machinery into compact production islands. That not only saved space but also shortened throughput times and increased productivity by 15 percent. With the introduction of a takt system of component supply, inventory levels dropped by 67 percent. "I was very impressed by Porsche Consulting's approach," says the Klafs boss. "They don't just have their ideas on paper; they also put them into practice." There was no longer a need for expensive new facilities. The eight million euros thereby saved could be put into further growth instead, such as into developing new products and investing in new distribution channels.

"To achieve long-term success in production, it was clear from the start that we had to make improvements in indirect areas as well and to pursue them on the overall company level,"

says Dirk Pfitzer, partner at Porsche Consulting. One new bottleneck, for example, lay in the order processing system. The consultants scrutinized the path from customer queries and calculating offers through to technical implementation and delivery of finished products. They kept adjusting every part of the system until development time for new products had dropped by 18 percent.

The third step for the experts consisted of examining company structures as such. Company specialists were calculating orders for private saunas and wellness temples in different departments. This meant that one employee might struggle with the calculations for an unusual glass-walled private sauna that would have been routine for a colleague from the wellness department. With respect to sales, the experts found that sometimes several different departments were approaching the same customer. "We determined which structures were present in duplicate and analyzed whether there were good reasons for this," says Dr. Roman Hipp, senior project manager at Porsche Consulting. They then developed a strategy for restructuring the business units and discussed a variety of potential solutions with Klafs. Organizational changes such as merging the offer departments, integrating spa operations into central sales, and standardizing processes ultimately laid the groundwork for further growth in new markets.

"The speed at which Klafs put these new approaches into practice was impressive," says Hipp with respect, adding that "large corporations need years for that." But speed was one thing that the company from Schwäbisch Hall didn't have to learn from the horsepower industry.

**World market leader Klafs:
Three-step course of growth and innovation**



2009
IMPLEMENTING THE KLAFS
PRODUCTION SYSTEM

PRODUCTIVITY INCREASES
BY 15 PERCENT

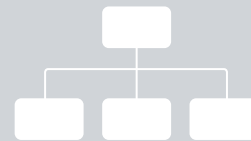
INVENTORY DROPS
BY 67 PERCENT



2011
OPTIMIZING
INDIRECT AREAS

TIME TO MARKET
FOR DEVELOPING
NEW PRODUCTS

DROPS BY
18 PERCENT



2013
REORGANIZING
BUSINESS UNITS

STRATEGIC
FOUNDATION LAID FOR
INCREASING THE
OFFER ACCEPTANCE RATE
BY 25 PERCENT