

Face value | At the sharp end

Count Anton Wolfgang von Faber-Castell has proved that the humble pencil is not a commodity



SO CONVINCED is Count Anton Wolfgang von Faber-Castell that his pencils are the best in the world that one day in 2005 he threw 144 of them out of the window from the tower of his Schloss. They fell 30 metres onto hard tarmac and not one of them broke. The graphite "lead" is so firmly squeezed and glued into its pinewood sleeve that it will not shatter, he boasts, something that is not true of lesser brands. Pencils made by Faber and later Faber-Castell just outside Nuremberg have had a reputation for quality ever since 1856 when Lothar von Faber, the count's great-great-grandfather, bought a graphite mine in Siberia to secure the best raw material. The family firm had been going since 1761, but Lothar was the one who went international, opening offices in New York, London, Paris, Vienna and St Petersburg. The pencils have impressed the discriminating ever since. "They produce a capital black and are most agreeable for large studies," wrote Vincent van Gogh, and their fans today include Karl Lagerfeld, a fashion designer, and Lord Foster, an architect.

Pencil-making might appear to be a commodity business—surely one pencil is much like another? But Count Faber-Castell, an investment banker by training who took over the firm in 1978, has proved otherwise. He has turned Faber-Castell into a global brand that is also in tune with the environment. In the 1980s, rather ahead of the pack, he planted 10,000 hectares of sustainable pine forest in Brazil to provide pencil-wood. He also built a big natural-rubber factory in Malaysia to supply the erasers. And in 1993 he introduced a non-toxic water-based lacquer for the pencils, a comfort for those who insist on chewing as they create.

Although pocket calculators did away with the slide-rule, once part of Faber-Castell's product range, the count's tenure has been marked by his insistence that traditional writing tools still have a place in the internet era. So far the computer has not eclipsed the humble pencil: there is no substitute yet for the cheapness and practicality of coloured and graphite pencils for children, artists, office workers, designers, and the billions of people without computers. The count hallows the day in the 1990s when he refused to take his consultants' advice to embrace the digital age. "We stuck to what we're good at," he says.

Faber-Castell now has factories at 16 sites worldwide, including Peru, Indonesia, India and China, and makes 2 billion pencils

a year. The firm will turn over close to €400m (\$530m) this year, 85% of it outside Germany. The good advice the count did take, from Boston Consulting Group, was to launch a range of premium products to reinforce the brand, including "Graf von Faber-Castell" luxury items that bear his name. One of these is the "perfect pencil", still made of wood and graphite, but with a silver sharpener and eraser. Many of these premium items are very similar to products found in ancient Faber catalogues: there is not much scope for innovation in pencil design, though the company got a shot in the arm from its triangular "grip" pencil, embossed with novel anti-slip dots, launched in 2001.

Count Faber-Castell is the embodiment of his firm's brand: a tall, patrician figure, usually in a well tailored suit. (As a student in Zurich he modelled shirts for a mail-order firm.) After studying law, he worked at White Weld, an American securities house that became part of Credit Suisse. But as one of ten siblings he was reluctant to get involved in a succession battle back home, until his father Roland offered him full control, with a watertight contract devised by an investment-banking friend. Only one other sibling, Andreas, works for the firm, running anglophone Asia. "The others can't complain financially," says the count, though he indirectly owns 88% of the shares.

Succession is becoming an issue again. The count's one son, Charles, is enjoying life at a private-equity firm, and his three daughters are still at school. In 2005 the count rejuvenated the firm's top management: there is now a triumvirate, all in their 40s, with no indication of whom, if anyone, will be chosen to succeed the count. He has talked of retiring at 70, in 2011, but has also said "I'll work part-time after I'm 90." In the meantime Count Faber-Castell is collecting prizes for corporate governance. In 2000 he introduced a "social charter" for his workers worldwide, though the benefits vary from country to country. There is a profit-sharing scheme in Brazil, but not in Germany, where introducing it is easier said than done, he says. Welfare at the firm has a long tradition: great-great-grandfather Lothar introduced one of the first health schemes for workers in 1844.

Sharpen your pencils

Inevitably, investment bankers have proposed taking the firm public. But Faber-Castell is well enough capitalised, with a debt-to-equity ratio of roughly 50% and the count says he would regret the loss of flexibility and the time demanded for investment roadshows. "I'm not against an IPO in principle," he says, "but we have the ability to grow internally." Such growth is expected to come mainly from the leisure market, especially drawing as a hobby, which is growing in popularity among the developed world's swelling ranks of elderly people.

So Faber-Castell remains an old-fashioned family firm. The logo on each of its products—two knights jousting with pencils—benefits a merchant clan, ennobled by the Bavarian monarchy, whose factory is overlooked in feudal fashion by the family Schloss, an imposing pile in the Jugendstil style that was commandeered by the German army during the second world war. It later housed journalists, including John Steinbeck and Ernest Hemingway, who were covering the Nuremberg war trials. One appalled hack described the castle as "Deutsche Schrecklichkeit at its worst". But Count Faber-Castell has had it gradually restored as an integral part of the brand. It houses a museum, the works canteen and meeting rooms—and, of course, the count occasionally opens a window to test Faber-Castell's wares. •