



Mapping Major Change

TW Metals narrows its product offerings, and promotes its expertise as an integral link in the global supply chain.

By **Corinna C. Petry**, Managing Editor

TW Metals is a very different company today than it was two years ago—smaller but stronger and better positioned to compete in the markets it has targeted.

In 1998, Tubesales and Williams Co. merged to form TW Metals. “We had a strategy of being everything to everybody, based on the fact that we took a

“Our strategy is to be the best at recognizing a customer’s supply chain needs and fulfilling them better than anyone else can.”

Jack Elrod,
President and CEO

flat-roll company and a long products company and put them together,” says Jack Elrod, president and CEO of TW Metals, based in Exton, Pa.

The merger resulted in operations that were less than ideal in terms of efficiency and focus, he says. There were months during 2002 and 2003 in which TW Metals did not make money. Today, the company is profitable and debt-free, says Elrod. (Privately held, TW does not report financial results.)

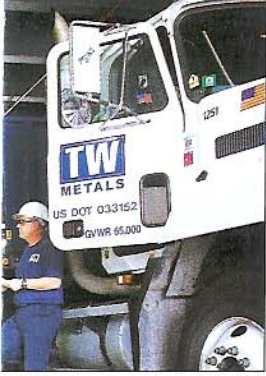
About 18 months ago, TW Metals surveyed its customers, who said the one-stop shop concept was not as important to them as it once was, and what they really wanted was “someone to have expertise and be able to consult with them.”

Company executives spent two months analyzing the entire business in terms of the available expertise and core competencies, and where the company could really add value to the supply chain. “It led us to a vision to be recognized as the best specialty metals long products service center.”

As a result of their analysis, TW’s leaders determined their know-how did not lie in copper and brass products. “We had expertise in pockets but frankly, we felt some of our competitors could do it better than we could,” says Elrod.

The company divested its red metals business to

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Copper and Brass Sales in the first quarter of 2003, and shut down some flat-roll processing operations. Last June, the company sold off its surplus flat-rolled processing equipment at auction. The company also closed a couple branches and sold others.

"We made the tough decision to lay people off as we exited red metals and some flat-roll operations," Elrod says. "Some of our employees spent their entire careers servicing these markets. The problems that come with the day-to-day implementation of a major change are ones that keep you up at night."

However, he adds, "we had a very detailed plan and stuck to it even in very challenging market conditions." Despite these adjustments, the company's productivity, on-time delivery and customer service improved.

Eighteen months ago, TW Metals' sales staff could quote nearly 75,000 line items. "That was an awful lot, wide but not really deep. Today it's 30,000 to 40,000 line items, but it's much deeper. We have focused in tighter on specialty long products," Elrod says.

"We want to be a supply chain company. We add value by performing a part of our customer's supply chain better than they can, and better than the competition can. It doesn't matter whether it's a small customer that needs material once a year, or a multimillion-dollar customer that needs just-in-time or vendor-managed inventory, completed parts, or kitting. Our strategy is to be the best at recognizing a customer's supply chain needs and fulfilling them better than anyone else."

The transformation included a close examination of TW Metals' own supply base. In 2002, the company sourced from more than 100 mills. "We have pared that down, and we continue to do that," says Elrod.

It helps that TW Metals is a global company, with locations in Europe, the Far East and Middle East. The service center purchases from international producers, especially at its overseas warehouses. "We want to be able to follow our customers' business, and be able to support them within the global supply chain wherever they do business," he says.

TW Metals' European service centers are performing well, he says. "They had a better year in 2003 than the U.S. service centers did. They haven't had burning growth, but they held their own last year. We are starting to see a pickup in the U.S., and we hope that will be realized in Europe within six months."

ADDING VALUE

Helping customers choose materials best suited for particular applications is among TW Metals' service goals. "A lot of that takes place over the phone with our inside salespeople. We have tremendously

knowledgeable inside salespeople, so when our customers call us requesting information about products, the inside salespeople walk them through their options," he says.

The percentage of TW Metals customers who demand just-in-time deliveries is low, but those who want it are larger customers, so they represent a large portion of the service center's shipments and revenues.

"If you look at our top 20 customers, a good number of them want help with just-in-time and inventory management. If they aren't now, they're talking about doing that down the road. We have experience with that, and a number of success stories," Elrod says.

He cites one customer, an international manufacturer of regional jets, who was purchasing millions per year in extrusions, roll forms, sheet, etc., and had a manufactured part cost of about \$130 per unit. "We took over that portion of their supply chain, and helped them reduce that per-part cost by over 20 percent, saving them close to \$2 million."

TW Metals has integrated some of its supply chain capabilities, upstream and downstream, in order to provide customers with completed parts for their assembly lines in real time.

"We got out of some processing, but we are now turning to some of our customers—machine shops, fabricators, etc.—and partnering with them to supply a customer with a finished good." TW Metals manages the entire "virtual manufacturing" process, doing some work in-house, and integrating work with outside vendors.

"It can work like a dream. We don't want to duplicate what's already out there. Instead, we focus on what we do and then partner with those who can do the fabricating or machining," Elrod says.

The bonus: TW Metals is creating new business for its customer-partners, too, and "they love us for that."

MANAGING WITH TECHNOLOGY

TW Metals' annual capital spending plans typically focus on upgrading processing equipment and warehouse facilities. In 2003 and 2004, however, "a lot of money has gone into upgrading the technology and systems that help us manage the supply chain," Elrod says. "We purchased Customer Relationship Management software, optimization software and radio frequency technology."

Radio frequency technology allows mobile devices, as well as computers and printers, to communicate with each other wirelessly within a local area network. This technology is extremely useful in large warehouses where up-to-the-second information is essential for running an efficient business.

TW Metals upgraded its computers and its information management database. "We see managing information as key to our success in the future," says Elrod, and the customer sees the results of that immediately, "because a lot of the information we have is about our customers' supply chain, about the products they're purchasing, quantities, etc."

TW Metals' customers can place orders on-line and track them. These capabilities help the outside salespeople, who teach customers to manage their own activities.

"We have gotten a return on it [technology investments] from a productivity standpoint, by being able to make better and more timely decisions than we did in the past," Elrod says.

TEAM TW

When TW Metals' leaders decided to reposition the company, they knew it would impact every employee. "We needed a clear roadmap for where we were going and great communications skills," Elrod says. "We made sure every employee in the company knew our vision, our strategy, why we were changing it, how we were going about it, what their roles would be, and what they could expect from the company in terms of support and training." Early last year, Elrod spent two months visiting every single branch and talking to every employee to explain the strategies and their effects.

In January, the company held a national sales management meeting to review the accomplishments of 2003 and the business goals for 2004. "I've never been to a meeting where I experienced such energy and excitement about the future. I'm extremely proud to be part of this team. We all work hard, but we all have fun, and there's nothing more fun than success," he remarks.

PRICING, LEAD TIMES

Elrod says that with stainless steel prices going up and the nickel surcharge, TW Metal's costs have increased 10 to 20 percent in the last few months. However, "through this process of partnering with our mills, we have prepared for a lot of the volatility you're seeing right now. You have to be very cautious during times of rising prices," he adds. "Any distributor dedicated to a product line or market has to continue to support that demand, but you just don't want to be caught with inflated inventory."

TW Metals works hard with its mills on lead times. "We try to accurately forecast our demand, and protect ourselves from fluctuations, even as capacity starts to increase."

With stainless flat-roll, "we have seen lead times extending out, and that will eventually impact the

welded stainless pipe and tube deliveries. We have seen flat-roll deliveries extend from four to six weeks, to 14 to 16 weeks," Elrod reports.

END-USE MARKETS

Aerospace is an important business segment for TW Metals, and it's an end market where the company parlays its substantial experience. (Aerospace sheet remains part of the core product offering.) "We plan to continue to grow that market," Elrod says.

Originally, TW Metals forecast a flat year for aerospace, believing it would be 2005 to 2007 before commercial aviation really came back, and when the Joint Strike Fighter would begin production. "But we are pleasantly surprised to see a nice, slow uptick in

QUICK FACTS

TW Metals

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Key personnel: Jack Elrod, president and chief executive officer; Jon Joslow, executive vice president and chief operating officer; Bob Mraz, vice president-sales and marketing; Kirk Moore, vice president-finance and chief financial officer; Bill Schmid, Eastern vice president and regional general manager; Barry Ronsheimer, vice president and Western regional general manager; George Savage, Midwestern regional general manager; Pat Wilson, vice president-human resources; Aldo Miceli, vice president-information technology; and Joe DiPanni, vice president and controller.

Products: Stainless steel tube and pipe, wire, rod and bar, and fittings; aluminum pipe and tube, wire, rod and bar, extrusions and fittings; nickel and titanium pipe and tube, wire, rod and bar, extrusions and fittings; carbon and alloy steel pipe and tube, wire, rod and bar; magnesium wire rod and bar.

Services: Abrasive sawing, automated deburring, contour sawing circles and rings, CNC vertical machining, cut-to-length, in-house inspection, lathe tube cutting, leveling, plasma cutting, precision nonferrous sawing to 12 inches thick, precision plasma cutting, shearing, tube shearing, waterjet cutting.

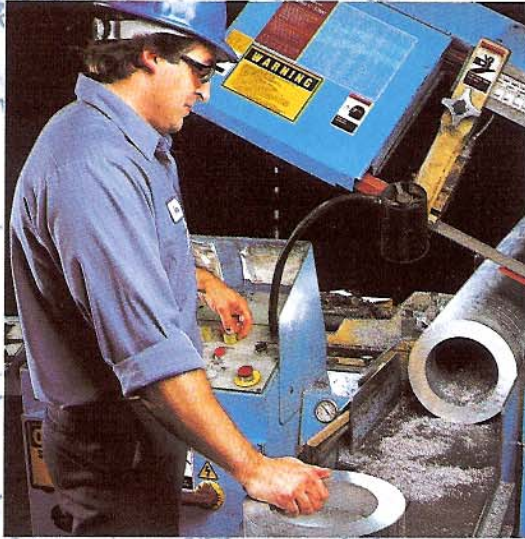
Equipment: Saws, lasers, shears, lathes, CNC machines, plasma cutting machines, waterjet cutting machines, deburring machines, end finishing machines, PVC/paper applicators.

Locations: Atlanta; Charleston, W.Va.; Charlotte, N.C.; Chicago; Cincinnati; Cranbury, N.J.; Dallas; Denver; Houston; Kalamazoo, Mich.; Los Angeles; Milwaukee; Minneapolis; Orlando, Fla.; Philadelphia; Phoenix; Rochester, N.Y.; San Francisco; Savannah, Ga.; Seattle; Springfield, Mass.; Toledo; Wichita, Kan.; Southampton and Redditch, England; Saint Aye, France; Brussels, Belgium; Haifa, Israel; Kanagawa, Japan; Singapore City, Singapore.

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▶ The president and CEO visited every branch to speak with every employee about the company's new strategy. Shown: A saw operator cuts thick-walled tubing.

▶ TW Metals has integrated some of its supply-chain capabilities, upstream and downstream, in order to provide customers with completed parts for their assembly lines.



some of the military business levels in the past few months. We've also seen the optimism levels and volume increase in the commercial sector."

The majority of the company's fabricator, machine shop and metal finishing customers are very busy, too. "On the West Coast, semiconductors are starting to come back strong. Transportation and food processing are also important to us; we're starting to see [order levels] increase there as well."

Before TW Metals' became a niche player, about 29 percent of its business was with other distributors. "As we expanded into more products, we weren't able to buy as deep in inventory to support them. Now that we're more focused and have better inventory, our ability to sell other distributors, especially in specialty long products, has improved dramatically," Elrod says. "So we're looking to do well in that segment this year."

The company's Government Business Unit also is performing well, he continues. The unit represents about 10 percent of TW's total business, but the GBU is still growing. He credits the unit with building strong relationships with government purchasing agents and developing the programs TW Metals offers to the government. "We did see some lulls when the ships were out" of their home ports and in the Persian Gulf. "Now that the war is over, that will come back, and we expect a good year for the GBU. We continue to see that as a tremendous opportunity," he says. ■



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