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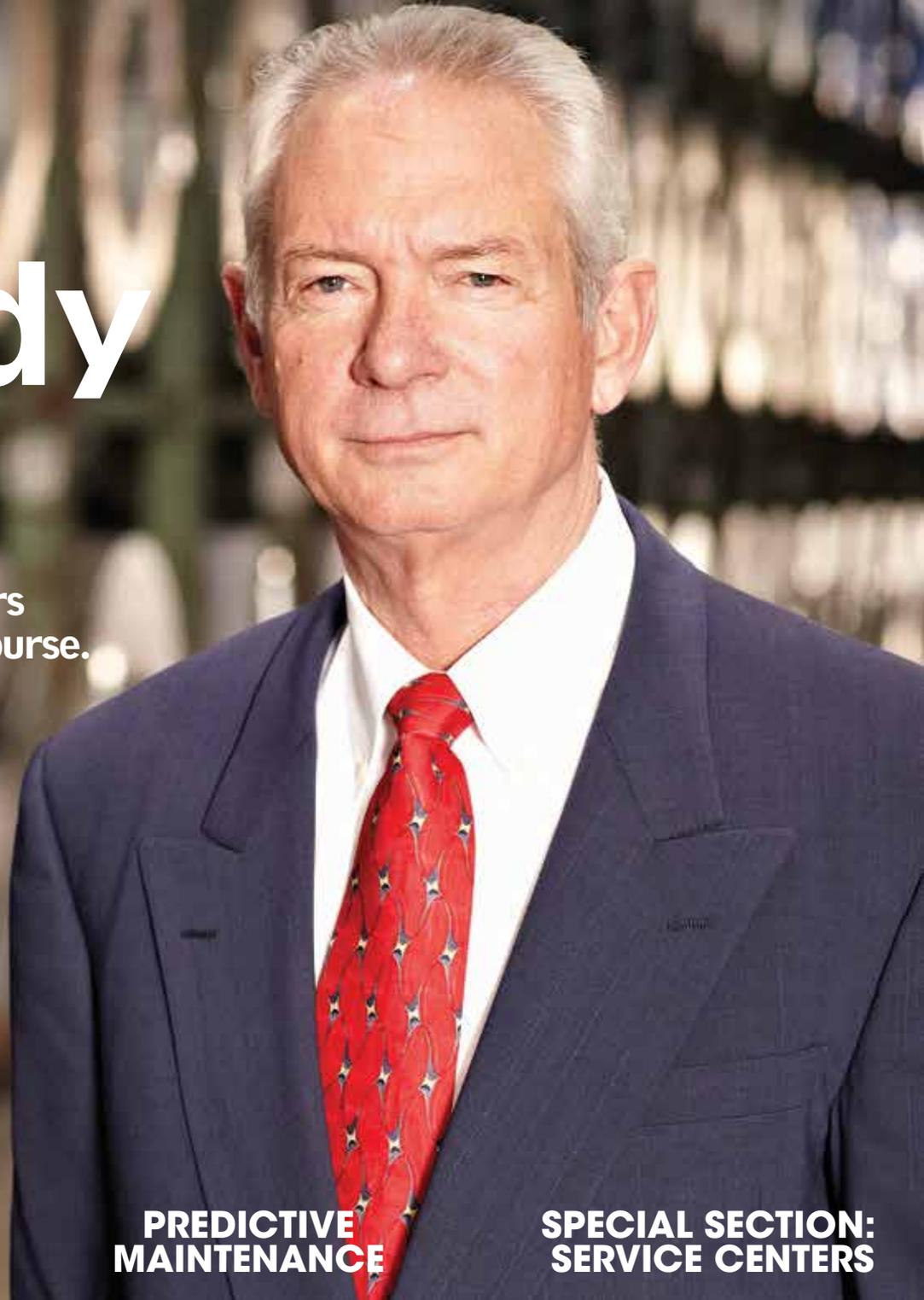
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**METALS MARKETS,
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PHOTO COURTESY MD METALS, INC.

MD has the cure

When the marketplace going gets tough, the tough go niche, like Illinois-based MD Metals, which says its sells at competitive prices and produces products in sizes and quantities that customers want, instead of in volumes that happen to meet the production schedule of suppliers.

Evolution, if you ask MD Metals, Inc., is not about survival of the fittest but instead survival of the nichest.

That's how the Bedford Park, Ill.-based steel processor has succeeded in a tough steel market crowded with lumbering service centers and mills hungry for big volumes of commodity products.

"My story is slow growth. Re-investing what I make and buying used equipment

that is niche—something that has some capability that very few other people have," president and founder Michael Dallek said.

That means MD Metals has been able to boost sales by approximately 12 percent in a market that has seen steel and scrap prices collapse, Dallek said. "So we are increasing our business even as the value of the inventory and the transaction prices have declined," he said. "We've actually increased margins."

But it looked like a different story when Dallek started MD Metals in 1990 in 3,000 square feet in the formerly industrial and now thoroughly gentrified Chicago neighborhood of Bucktown. It was a time when hot-rolled was trading at \$8 to \$9 per hundredweight (\$160 to \$180 per ton) and Dallek was getting by on soup.

"The first year I almost went bankrupt. But I survived that and it's been progress ever since," he said.

The past three to four years have been the most significant growth years for the company, Dallek said. MD Metals is now housed in a 40,000-square-foot property and expects to add another 15,000 square feet in the next few months, he said.

The secrets to MD Metals' success? Making niche products, selling them at a competitive prices and producing them in sizes and quantities that customers want, instead of in volumes that happen to meet a suppliers' production schedule, Dallek said.

Case in point: MD Metals in 2014 acquired a 50-inch heavy-gauge slitter from a large national service center that probably wasn't using it to its full potential, Dallek said. The key to running the machine profitably was applying a "job shop" business model, he said.

"If a guy needs 5,000 to 10,000 pounds of something—and he needs it in a few days—we can respond," Dallek said. "Everyone talks about providing service, but we're doing it for difficult jobs."

For MD Metals, like many service centers, business includes slitting master coils. But what sets the company apart is its ability to slit and re-slit heavy gauge material into narrow widths, Dallek said.

As examples, he said to think about steel as much as 1/4-inch thick but only 0.625 inches wide or 3/8-inch thick and 0.75 inches wide. A mill or large service center—assuming it could or would take such a job—might want orders of at least one truckload for each size, Dallek said. But a customer such as a general-line warehouse would probably prefer eight to nine different sizes to one truck, he said.

Unlike a larger supplier, MD Metals is happy to take such small, mixed loads, Dallek said. "We can give them exact piece counts. So we are focusing on accommodating the ends users and warehouses and given them exactly what they want," he said.

MD Metals is also expanding its ability to slit heavy-gauge stainless material,

Dallek said. Given current capacity limitations, material is often sent from the Chicago area to Ohio or even as far afield as Georgia to be processed, he said.

“We have had large stainless warehouses coming to us and asking us to do their work for them because they can’t do it efficiently,” Dallek said.

Another MD Metals specialty is flat bar, which goes into everything from augers and lawn mower blades to conveyors and construction products. “Energy sucks. Ag sucks. Mining sucks. But there are still bright spots in this economy that we are selling into,” he said.

Dallek fondly recalls the boom times of the mid-2000s when a coil could be purchased, put in inventory and later scrapped for profit. Those days of skyrocketing steel prices are gone, but the opportunity to make money buying and selling steel isn’t, he said.

“I’ve always said we do better in a sloppy market because there is more room to negotiate the purchasing of steel,” Dallek said. “And we keep it very tight. The trick is not to get stuck in the downdraft with bloated inventory.”



Its Stamco slitting line is a key component of Illinois-based MD Metals’ business strategies,

Another big part of MD Metals’ ability to adapt to changing times has been its employees, Dallek said. The company aims to turn its inventory seven times a year and not to turnover workers at all, he said.

MD Metals’ take pride in giving its employees health insurance, individual retirement accounts (IRAs) and annual raises,

Dallek said. The company also aims to empower them, whether they’re running critical equipment or sweeping the floor.

“People ask me, ‘Should I do this or that?’ And I say, ‘What would you do?’ So I really encourage my employees to think for themselves and to feel that are part of the growth,” Dallek said.

MICHAEL COWDEN

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