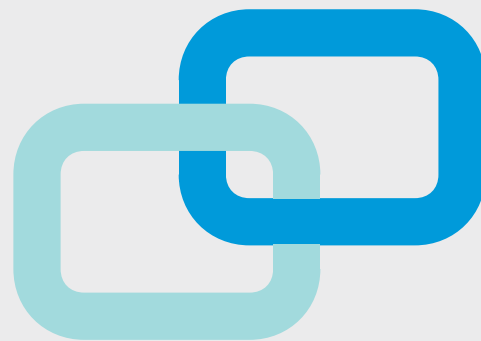


Increasing efficiency in

making business connections



Industry leaders share key trends in sourcing projects

With the increasing pace of material insourcing and outsourcing, expectation of faster response has driven companies to look for new and efficient ways to find the right custom chemical manufacturing partners. SOCMA recently reached out to chemical industry leaders to learn more about trends they are seeing and tools they are using to develop business leads.

Trends in Sourcing

According to Pat Killian, Vice President of Strategy and Business



Development for Monument Chemical, his company says no to about two-thirds of the business opportunities that come their way. He also noted

that in polling other colleagues, they, too, were turning away business at the same rate. Why? Because the project was too big, too small, or they didn't have the right equipment, resources, etc. As a result, Killian said he spent much of 2018 reaching out to others in the industry, sharing capabilities because he thought other companies may be able to do the job if Monument couldn't.

"The greatest challenge is making sure the right companies, with the right current or future needs, are aware of Monument's particular manufacturing capabilities," Killian said.

Michael Stadelmaier, who has worked for many years buying contract manufacturing services for BASF, says demand for contract manufacturing services seems to be increasing. "Often lead time and availability can be a factor depending on the requirements."

BASF has the ability to collect capability information on potential contract

manufacturing partners from its multiple business divisions. BASF has team of people supporting contract manufacturing for these various business units and shares knowledge about third-party manufacturers and their capabilities with each other. "For example, I will get a call from someone in one of the other business units saying, 'I need someone who can do xyz,' and do you know anybody who can help? We try to collect the latest information available to highlight the capabilities of potential contract manufacturers."

Our customers expect BASF to be more responsive, Stadelmaier said, "and we need contract manufacturers to help us do that, in some cases. We rely on them to help us to get products to market more quickly, as well."

One trend Stadelmaier has seen is a growing interest in blending and formulations, for both solids and liquids, including hazardous and non-hazardous chemicals. There is also a need for more diverse packaging options, everything

from small bottles to trucks and railcars.

Stadelmaier said a platform for unit operations like blending, formulating and packaging would be helpful to the industry. When it comes to quality, customers don't differentiate between a product from a four-step reaction synthesis or a product from a blending operation, he said. They just want the product right the first time.

According to Jay Dickson, President of Nation Ford Chemical, a custom and toll manufacturer in Fort Mill, SC, a key trend



he sees is larger companies aligning with specific tollers and developing long-term relationships. As a result, his company has customers

that return to them over-and-over again with projects because of the relationships they have built. "It also saves time and money with auditing if you stay with one company because they know you and you know them," he said.

Dickson agrees with Killian's assessment regarding tollers who are doing their



jobs well – they are indeed operating at full capacity. “Because companies have done business with them and are pleased with the work, they want to continue to do business with them,” he said. “Most of our tolling jobs are with existing, longtime customers.”

Killian noted that one reason companies like Monument and Nation Ford get so much repeat business is because of the great chemistry flexibility they offer in addition to world-class safety, quality and environmental compliance. This is evident in that both of companies were recipients of SOCMA’s 2018 Gold Performance Improvement Award – the association’s highest environmental, health and safety achievement.

Tollers also tend to choose inquiries that are the closest match to them to expedite getting the project into production, Dickson said. “I would say 15 out of 20 project inquiries are either too much volume, too little volume, or just aren’t a good fit for us.”

Some of the biggest opportunities Dickson sees for the industry are a result of the environmental crackdown in China and now India, and he believes the more level the playing field becomes, the more likely older chemistries that were previously outsourced to China will move back to the U.S. But that could take time to prepare plants to make them. “You just can’t flip a switch,” he said. “It could take 20 years to rebuild what was lost in America.”

One thing that could help with the reshoring of products to the U.S. is automation within the chemical industry, Dickson said. For example, a product that took 20 workers in a plant in China can be made in the U.S. with perhaps two people and a distributed control system that can produce higher volumes at greater efficiency. “To accomplish this, a significant capital investment must be made. And then you have to look at each product individually to see if it can compete with Asia.” Dickson said.

As for the impact on tariffs in sourcing intermediates and other inputs, Dickson said some of the production of Chinese products are currently going to other low-cost regions such as India and Southeast Asia. He believes the tariffs currently implemented by the Trump Administration are the cause of driving some chemical production out of China.

How Companies are Searching for Customers

Many repeat customers for Nation Ford Chemical are coming through SOCMA channels, according to Dickson, whether it be at networking events or the new Lead Sheet service the association implemented last November. “Some of the customers who reach out to us also say they found us on the SOCMA website, which is another tool that has been helpful,” he said.

“I do think that getting together at events like SOCMA Week and our relationship with trade shows, such as Chemicals America, are vital,” Dickson said. “SOCMA is the glue that holds us all together, and there is no other organization like it for the specialty chemical industry.”

speed for these parties to find each other by offering up new chemistry needs to all member companies and take advantage of the total capability.

“SOCMA is in a singular position to help chemistry companies that are smaller or have a narrower chemical scope,” Killian said. “Together, SOCMA members provide every conceivable type of specialty chemistry service and represent a huge amount of capacity.”

Dickson is also a proponent of the Lead Sheet service. “It’s easy for the customer, and it’s a great tool as more and more people learn about it,” he said.

Stadelmaier believes the Lead Sheet service could be especially helpful to the industry to assist companies with limited resources find contract manufacturing

The 5 R’s to building successful business relationships

- ✓ Right partner
- ✓ Right equipment
- ✓ Right materials
- ✓ Right capabilities
- ✓ Right time

Doing Business Beyond the Trade Show Floor

In understanding the need to connect business partners beyond the trade show floor, SOCMA launched its Lead Sheet service and capabilities mapping. The service essentially takes the one-on-one trade show connections a step further and serves as a tool where companies can find business partners throughout the year.

Having worked independently to help connect companies with potential business, Killian sees the service as a value add to the industry.

“The custom chemical manufacturing space can be particularly inefficient for suppliers and consumer to find each other because most of the work is done under confidentiality agreements, so it is hard to advertise in a traditional way,” Killian said. “This is why the new SOCMA Lead Sheet service is so valuable – SOCMA can dramatically improve the efficiency and

partners and help companies like BASF learn about new potential capabilities that were not previously known to us.

And for those who are receiving the Lead Sheets, even if they are not right for the job, just watching the line of business potential coming down the pipeline gives them insight into the trends and needs within the industry, which in and of itself is a value add.

Since the launch of the program, SOCMA has witnessed tremendous use of the Lead Sheets, connecting customers with many potential business partners, and it is continuing to grow as the industry looks for alternative means to alleviate the overflow of capacity.

For more information about SOCMA’s Lead Sheet Service, contact Paul Hirsh at phirsh@socma.org, or call (571) 348-5102.