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Ta Chen International has significantly invested in its PVF hub in Houston. This 17-acre, 225,000-square-foot operation houses about \$50 million in inventory. Between 80 and 100 trucks are loaded at TaChen's Houston facility every day, with an average turnaround time of less than 25 minutes. To learn more, see the exclusive interview on the next page.



Master Distribution Plus

Ta Chen strengthens PVF hub in



BY MARY JO MARTIN
Editorial director

Since its initial founding in Taiwan in 1986, Ta Chen has grown dramatically with integrated manufacturing facilities, large warehouses, a network of U.S. sales and distribution operations, a cutting edge in-house IT platform, and specialty value added services.

With roots as a mill for stainless steel welded pipe, tube, butt weld fittings, 150-lb castings, nipples and valves, Ta Chen went public in the mid-1990s, and now tops \$1 billion in global revenues. In the ensuing years, Ta Chen's product line has expanded to include aluminum flat-rolled, aluminum extrusions, nickel alloy long products and 17-4 long products.

In the last 15 years, Ta Chen has built

new facilities overseas and continued to invest in their worldwide headquarters to ensure their ability to meet production demands — and to make the best use possible of all of their raw and scrap materials with virtually no waste.

In the U.S., the company's master distribution operation is known as Ta Chen International. They have roughly 500 employees, eight warehouses that offer a full line of inventory, as well as sales offices in seven of those locations. These include:

- Long Beach, Calif., a 260,000-sq-ft location that serves as TCI's headquarters, and serves the Southwest.
- A 122,500-sq-ft branch in Seattle that handles the Northwest.
- The Chicago branch is 215,000 square feet that serves the Midwest.
- A 90,000-sq-ft shipping warehouse in Cleveland that handles the lower Midwest, and facilitates shipping and transfer points.
- The Burlington, N.J., branch has more than 100,000 square feet and serves the Northeast.
- The nearly 160,000-sq-ft Atlanta branch handles the upper Southeast.

Ta Chen International has about 500 employees, eight full-line warehouses and sales offices in seven locations.



Houston



Exclusive Q&A

• Lakeland, Fla., is home to a 195,000-sq-ft branch that serves Florida and the lower Southeast.

• And, as Vice President Danny Tu describes it, the company's PVF hub is a 17-acre operation in Houston that not only handles the Gulf Coast region, but also meets the demands of the company's other branches — thanks to its depth of PVF inventory on hand. In fact, 30% of Houston's current orders come from other Ta Chen branch locations.

Recently I had the pleasure of speaking with Tu, along with branch manager Bob Hunter and sales manager Bobby Sommerville of the Houston location, to get some insight into the latest developments with Ta Chen — and how they've continued to carve out such a successful niche. Following are excerpts from that interview.

MJM: *Talk about the importance of your Houston branch within the Ta Chen organization?*

Tu: The majority of our total PVF inventory is housed in Houston, so there is a much wider range and quantity of product at this location. Because of that broad inventory mix, it has become a hub for

our pipe, valves and fittings offering. The Houston operation services the entire Gulf Coast region, which is where most of the refineries, chemical plants and gas companies are located in the U.S. We also service the Mexican market from this location. Most importantly, about a third of Houston's daily orders come from other Ta Chen branch locations. Houston really functions a little differently than our other locations.

Hunter: We make weekly shipments to Canada from here, primarily for the oil sand region in Edmonton, Alberta. We've found a very economical trucking route that runs between Houston and Canada. In addition, we send products for export to companies in South America.

MJM: *Give us a thumbnail view of the Houston operation today?*

Tu: We are situated on a 17-acre facility with 225,000 square feet under roof. Currently, we stock about \$50 million in inventory, primarily stainless, aluminum and nickel, in flat rolled, long product, and pipe, valves and fittings.

Hunter: Our 60 employees process more than 10,000 line items of material a month. We average between 80 and 100 trucks a day in and out of this facility. The time it takes for a truck to pull in, get loaded with materials and get out is less than 25 minutes. Every employee here is very proud of that. With the type and amount of product that we load, a turnaround time of 25 minutes or less is very efficient.

MJM: *What type of investments have you made in the Houston facility in recent years to improve efficiencies and your ability to serve customers?*

Sommerville: I would say that the amount of time, effort and money that Ta Chen spent to develop and maintain its highly functional computer system is much more than any other company I've worked with. The investment shows in how effective and customer friendly our website is.

We've also worked hard to source a very impressive range of products that you can't find at most of our competitors.

To increase our storage capacity, we've added to our racking system. We also put in concrete all around the 17-acre property, plus added an exit driveway. In the past, trucks were bottlenecked having to share the same entry and exit. It caused a huge amount of problems; it was very common to see 10 or more trucks stuck

“The time it takes for a truck to pull in, get loaded with materials and get out is less than 25 minutes. Every employee here is very proud of that”

there with no one moving because the lead truck was still being loaded. Now it is a U drive that accommodates all sizes of trucks in and out and they don't have to wait.

Tu: We've also added more U.S. domestic and Western European products which have helped us gain additional sales. And we've brought on more experienced salespeople. Bob [Hunter] has 35 years of experience in the PVF industry and Bobby [Sommerville] has been in the business since 1986. We have several other salespeople in Houston who have been in the business more than 26 years. But our push to improve the caliber of our salespeople doesn't just stop in Houston — in the past two years, we've added over 100 years of PVF experience to the sales team at Ta Chen.

MJM: *I know that one of the value added offerings you provide through your Houston location is a Machine Shop. Tell us more about that, and its capabilities?*

Hunter: We added the Machine Shop about a year ago. It allows us to modify fittings and flanges to our customers' specifications. We can also do pipe beveling, threading and cutting. Recently, we brought in high-pressure flanges and we are able to do modifications on them in-house as well. All of this means a quick turnaround for our customers.

Sommerville: Before we had the Machine Shop, customers would purchase pipe from us and they'd have to ship it out to a third party to get it threaded or beveled. That meant they incurred additional freight charges, as well as taking more time. By doing it in house, we offer customers a much better package, saving them significant time and money.

Hunter: We are adding another lathe this fall at our Machine Shop here in Houston. This will double our capacity and mean even more efficient service for our customers. Currently, our turnaround is one week or less — but special requests can be handled in a day if needed.

Master Distribution Plus

'Houston, we have PVF'

MJM: How have all of these investments improved service to your customers?

Tu: We definitely have much happier customers today. Many years ago, Houston customers were getting frustrated because we had overgrown our capacity and couldn't handle the business with the old infrastructure we had in place.

These investments have cut down on the waiting period for our customers to receive product and we've seen many old customers come back to us as well as added many new ones.

It's also helped us cut down on customer returns — in 2008 we had about 15 return cases per month. Today we are down to only two or three per month, and some months we don't have any.

Undeniably, we've had some growing pains in the past, but we have learned from our mistakes and built a stronger operation with continued investment in equipment and personnel. Now we are one of the best houses in town.



Between 80 and 100 trucks easily flow through the facility because of concrete all around the 17-acre property, plus an exit driveway, and a U drive that accommodates all sizes of trucks — no waiting.

MJM: You've described Ta Chen as a "one stop shop." Give us a range of the products that you carry?

Tu: We carry a full line of structural and fluid control PVF products. There aren't a lot of companies that have this type of offering. Customers can easily source everything they need right here under one roof.



Much of Ta Chen's total PVF inventory is housed in Houston, which has a wide range and quantity of product.

When it comes to PVF, we stock 24" and down in approved and non-approved products. We're not a typical master distributor; we actually have our own mills and produce most of the products that we carry.

Some applications of our products are for the pulp and paper industry, tank manufacturing, chemical plants, machinery tooling, waste-water treatment facilities and oil refineries. In addition to all the typical flow control PVF products that most people think of, our beams are used in a structural capacity for their buildings.

MJM: Could you share with our readers the type of approved product that you carry?

Hunter: We stock product that meet all the major AMLs — specifically Exxon- and Shell-approved materials. Major end users publish their own AMLs; and to successfully sell and service our customers who sell to those end users, you've got to have those products in stock. And you also need an experienced salesforce that knows the specs, country of origin and detailed information on this product. It's very specialized, almost like technical sales. This type of product sells at a higher margin because it's so specialized, so it's a very good market for us.

"The Internet allows Ta Chen to be accessible to our customers 24/7 with virtually any information they need. A lot of our customers use our system in the evenings and on the weekends... currently, about 75% of our sales are done online."

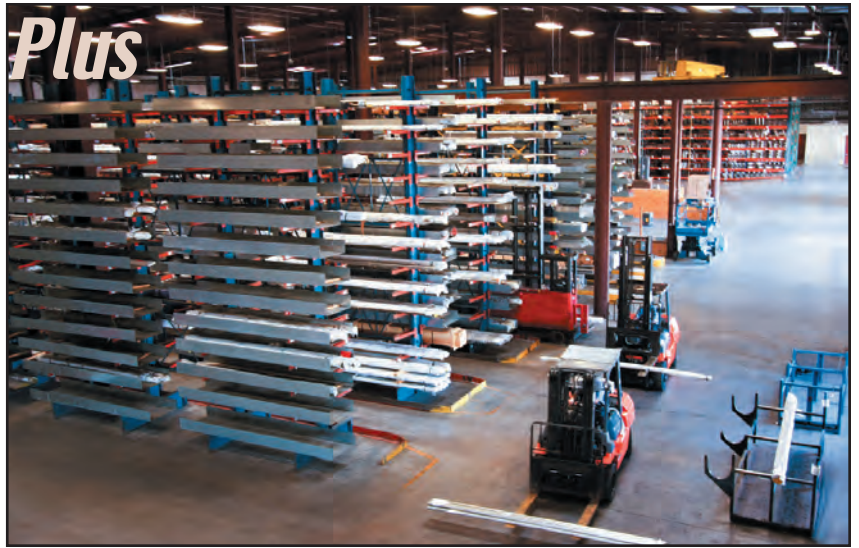
Master Distribution Plus

Going the extra mile at Ta Chen's Houston facility

MJM: *Talk about the relationship you maintain with your suppliers to ensure that you are bringing the highest quality product to your customers?*

Tu: Before we commit and start working with a supplier, we have our own team of people to audit the mill. The mills we work with are proven quality vendors, have an ISO system, and produce products that meet the major AMLs. We don't source the cheapest product we can find; we go out to find the quality product. Cheap product means a lot of returns, and as we said before, we have a very low return rate.

We do business with quality partners that provide quality products. We have a relationship of mutual respect with our vendors. We look for partners who will participate in production planning and cost reduction



A new racking system increases storage capacity.

initiatives but still strive to improve product quality so we can offer our customers the best value. We receive regular shipments from our vendors every month.

MJM: *You have a great balance between a talented sales staff and internet sales. Talk about the importance of both within your business and how they work together and complement each other?*

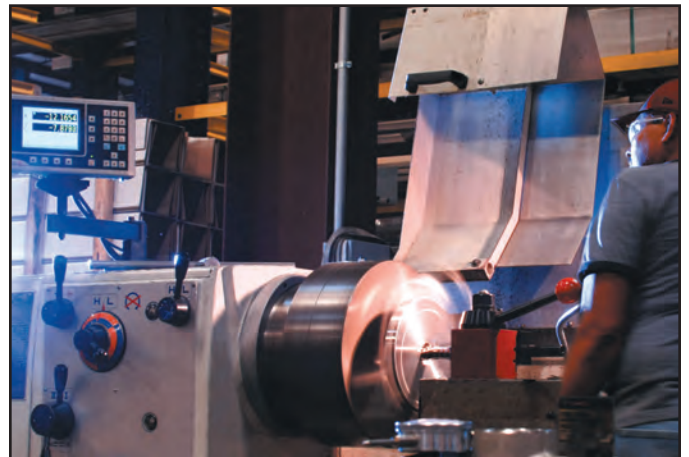
Tu: For us, Ta Chen is unique when it comes to e-commerce. Some orders come in from Internet, others from EDI. We are big into automation. We have the mentality that if a task can be done by a machine, we let the machine handle the task. The Internet allows Ta Chen to be accessible to our customers 24/7 with virtually any information they need. A lot of our customers use our system in the evenings and on the weekends. They appreciate how comprehensive it is and they trust the integrity and consistency of our system. Currently, about 75% of our sales are done online.

Also, our web prices are firm; customers won't get a different price from their sales rep. We set different pricing for each customer account and the prices set depends on volume, credit history, etc., but their prices will not change by ordering from our sales reps rather than via the Internet.

With that said, we do have a great sales force and we still want to continue to build personal relationships with our customers. By having so much of our business done online, it frees up our salesforce to really spend quality time with customers rather than just being order takers. We have



'We believe people on the floor know what they are doing and our salespeople know what they are doing. We encourage involvement from all levels of our staff. They see their suggestions being used, which encourages them to make more constructive suggestions.'



The company added its Machine Shop late last year, allowing it modify fittings and flanges to customers' specifications, as well as doing pipe beveling, threading and cutting.

“The warehouse guy who is pulling the fitting probably knows more about the product than the guy sitting in the office.”

about 4,000 online inquiries that come in every day; if our salesforce had to handle all these quotes, they wouldn't have any time for follow up, special sourcing or other interaction with customers. Instead, our online system does a great job of managing the quotes.

Sommerville: The Internet allows our customers the ease of doing business at their convenience. Our system basically handles every function that a salesperson would for a customer. And for those who still want to call in, we still have a sales team here to service them.

Hunter: The Internet is a powerful tool for our salesforce — it empowers them to do their jobs more efficiently.

MJM: *How do you maintain your website to ensure it is current, and user friendly?*

Tu: We have a team in Taiwan of about 20 programmers plus 10 more in the U.S. Our system is completely designed, programmed and maintained in house. This capability is one of our biggest competitive advantages.

It's easy to use and information is readily available. Even more important, the system is very accurate. Today's customers are more demanding than ever, and we have to have the confidence in what we offer with our product and our service.

MJM: *What do you see as the potential down the road?*

Tu: We're still working to perfect our online system even more. We're adding more approved products into our portfolio. And we're increasing our machine shop capabilities.

It takes a little time for all of these new capabilities or added offerings to filter down to customers, so we still have to focus more on marketing to properly introduce them.

Down the road, I feel that we are the most efficient master distributor in the U.S. We'll continue to look at customers' needs and cater to them. We have plans in the works to expand in next few years

with new product offerings that will cater to our customer needs in different region.

MJM: *Last year when we talked, you told me that the Ta Chen management style is not from top down, but rather from the bottom up. That is very different than the typical business. Why, and how, does this work for Ta Chen?*

Tu: We believe in employee empowerment. The warehouse guy who is pulling the fitting probably knows more about the product than the guy sitting in the office. Our management is very horizontal, rather than hierarchical. It's more like a team. We believe people on the floor know what they are doing and our salespeople know what they are doing. We encourage involvement from all levels of our staff. They see their suggestions being used, which encourages them to make more constructive suggestions.

We hire the best people, train them well and empower them. We are able to have this type of organizational structure because our people are dedicated and work very hard to perfect what they do.

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