

Dover Tubular Alloys:

Mastering its universe through vast inventory

By stocking and distributing a myriad amount of tubes and pipes, the firm ensures itself a number of advantages in buying and selling its products.

BY CHARLES BERRY

Unlike most metal middlemen, who sometimes sell to other distributors but concentrate on end-users, Dover Tubular Alloys, Dover, N.J., markets stainless steel tubes and pipes, and a limited amount of nickel alloy tubular products, strictly to distributors. Everything at the company, from its purchasing strategy to its marketing approach, has been adapted to guarantee its success as a master distributor.

A case in point:

"The order would run about \$2,500," Dover Tubular sales manager Ed Simko was saying over the phone to a first-time customer. "We could get the material out this afternoon by common carrier and drop-ship it for arrival at your customer's before the scheduled shutdown."

"Out today!" responded the man on the other end of the line, who was requesting a quote on a certain quantity of stainless product he wanted rushed to an original-equipment manufacturer in the Midwest. "That's great. Make the shipment. I'll notify my customer."

"All right," said Simko. "Just let me check the order again. . . ."

Having joined Dover Tubular in 1987, Simko is used to hearing surprise in the voice of many new customers. Unlike most other steel distributors, Dover Tubular does not require a credit check on a customer until his account balance tops \$3,000. This prac-

tice may seem tantamount to opening the warehouse doors and letting people drive in and carry off truckloads of pipes and tubes, but company owner George Rattner asserts that unpaid bills are few and far between. Besides, such losses are covered by "a third party," he says, adding that the money spent for this coverage is

dwarfed by the \$500,000 to \$750,000 in new business the liberal credit policy generates each year.

Rattner and his son Joe, general manager of the company, decided to institute their credit policy in 1986 so that they could respond more quickly to the needs of their customers. "Someone comes in the door with a small order, and by the time you've gone through your normal credit procedures, you've often lost them," says George Rattner. "But we're [now] able to take the order. Our credit system not only enables us to sell marginal accounts but frees our best people for more productive work. They're not buried checking credit on small orders." The past few years have been good for stainless, and the credit policy, Rattner says, has been "sterling." Nevertheless, he prefers to withhold judgment on its overall effectiveness until it has been tested in bad times.



Joe (left) and George Rattner credit an extensive inventory with helping them hollow out their niche in the market.

teach customers about the specific features of individual products. But since Dover Tubular's customers are distributors themselves, Joe Rattner says, they usually already know what they need to about the products. "Selling to the wholesale trade is a number-crunching game—a price, delivery, and service proposition," he explains. "Once we've made contact with a customer, our knocking on his door won't increase our sales significantly. He'll come to us with a shopping list when he's ready to buy."

Five in-bound Watts lines covering the continental United States, eight local telephone lines, and a fax machine connect Dover Tubular with buyers. The six inside salespeople receive some 300 calls a day from all over the U.S. and from Europe. The Rattners pay them a straight salary, along with a performance bonus. Commissions are avoided, so that employees are not tempted to juggle orders or offer more attractive discounts to large-volume purchasers.

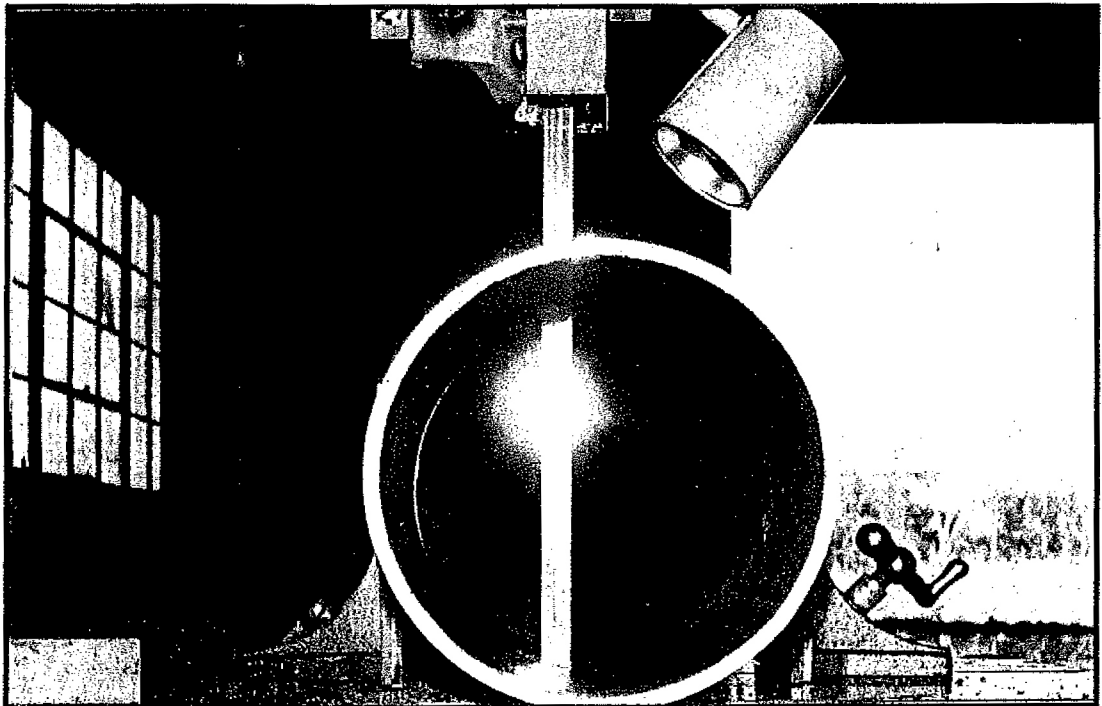
No one area of the U.S. accounts for a majority of the company's business, but presently the Midwest and the Southwest reap slightly more than the other regions. Thanks to a recent surge in paper exports, business in the Northeast—where many paper mills are located—has also been brisk.

Last year, in response to emergency orders that came over the fax machine, Dover Tubular began selling to master distributors in Great Britain and West Germany. Although exports represent only a fraction of the company's sales at present, the Rattners are studying ways to develop this business in such a way that it will not die out as soon as the U.S. dollar regains strength.

Dover Tubular processes about 15% of the material it ships. Along with two abrasive cutting saws, the company owns a Marvel Model 8A, which cuts material up to 18 in. in O.D., and a Marvel 13A, which handles material up to 14 in. in O.D. With this cutting capacity, the company can allow customers to order material in exact lengths, saving them the cost and trouble of keeping the

don't sell to end-users," Joe Rattner contends. "Their salespeople have been known to follow a truck to the point of delivery when the shipment leaves the warehouse. But we've been in business a number of years. Customers know us, and they trust us to drop-ship material for them."

Keeping a low profile does not mean the Rattners remain silent about their company's services. Three times a year



The firm's Marvel Model 8A cuts material up to 18 in. in O.D.

unused material in inventory. To speed up processing at the plant, the company, Joe Rattner says, may soon buy another saw that will cut pipe up to 18 in. in O.D.

Anonymously yours

Although anonymity is not something most businesses cherish, Dover Tubular works hard to maintain it, at least among end-users. The vast majority of the company's accounts request that material be drop-shipped to their customers. The New Jersey firm obliges by sending goods via common carrier, free of any markings that would identify itself. Only the name of the company placing an order with Dover Tubular appears on the shipping invoice.

"A lot of people have been burnt by [master distributors] who supposedly

Dover Tubular mails brochures to more than 4,000 distributors nationwide. The firm also places a limited number of advertisements in trade publications that primarily reach other wholesalers. The company's advertising budget is not very big, but it doesn't have to be. Word of mouth, not flashy ads, attract the majority of the company's new business. Salesmen from other distributors, many of whom move from company to company, are the best means of promotion, Joe Rattner says. After changing employers, it seems, those who have done business with Dover Tubular often tell their new bosses about the company. And because Dover Tubular, the Rattners claim, has shaped itself around the needs of other distributors, customers, once bitten, tend to come back for more. ■

DOVER TUBULAR ALLOYS

the more common sizes and grades. With one phone call, they can fill their orders for stainless tube and pipe, and concentrate on making the next sale.

"This business is about inventory," Joe Rattner says. "We not only carry a wide variety of items but also back them up with in-depth stocks. In some cases we carry up to a year's inventory on an item. Others who work on a turn-and-earn strategy may feel this is

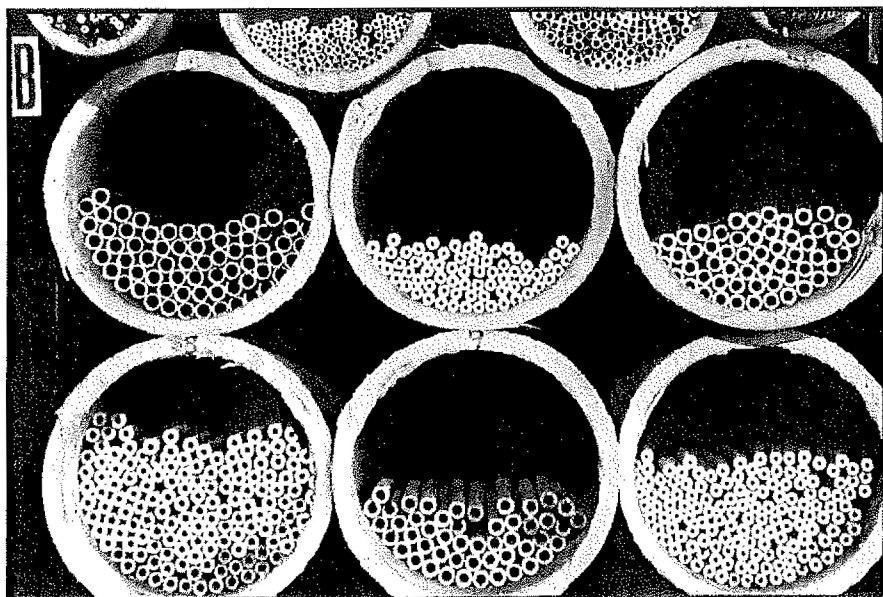
distributors with small stainless stocks for a loop: they have had to purchase the material at high prices or risk being unable to supply their customers. Dover Tubular, on the other hand, has been able to fall back on its own huge inventory.

"In this kind of market," Joe Rattner says, "we try to take our best shot at buying when nickel is at a lower point and locking in on firm prices—

relish these market conditions. "When someone goes to the mill today, he's told that he'll have to wait 30 weeks for the product and that he'll be charged according to the price in effect at the time of shipment and the surcharge in effect at that time, too," George Rattner exclaims. "We're able to fill the void by having the product ready for shipment in 24 to 48 hours at a firm price." (More than 95% of the orders are shipped within 24 hours, but a few of those that require processing may not go out for 48 hours.)

Besides enhancing Dover Tubular's value to its customers, today's volatile market has helped the company gracefully bow out of the major part of its fittings and nickel alloy tubing business. When a distributor wishes to discontinue a product line, it usually resorts to discounting, especially to get rid of the slow-moving products. With nickel prices through the roof, though, Dover Tubular has been able to offer extremely attractive prices on these products and still make a pretty penny on them, Joe Rattner says.

The company began cutting fittings and nickel alloy tubing from its inventory as early as 1983. Up to the early 1980s, tube and pipe distributors stocked fittings to offer customers a "full piping package," according to Joe Rattner. As the market matured, though, fittings specialists set up shop, thus eliminating the need for Dover Tubular and similar enterprises to supplement their inventory with the product, he explains. Since fittings and nickel alloy tubes and pipes bring only small margins, Dover Tubular decided to devote its warehouse space to the products it knows best—stainless tubes and pipes. Today the company carries only a minimal supply of fittings and nickel alloy tubing.



A tube for everything and everything in its tube.

ridiculous, but we can't afford to have major outages of inventory. We fill other distributors' stock outages and pick up the slack when their just-in-time inventory program fails."

According to Rattner, Dover Tubular can afford to turn inventory on certain "oddball" products as little as once every two years by earning a higher margin on these items.

A conduit to competitive prices

An extensive inventory may get customers through the door, but it does not guarantee a sale. If the price isn't right, tubing becomes a perch for dust. Here again, Dover Tubular's depth of inventory is key to providing a conduit to competitive pricing and to insulating the company from short-term market volatility.

With the cost of nickel soaring during the past two years and the recent prices rising and falling like a yo-yo, surcharges on stainless have been hefty. This volatility has thrown many

something we're able to do with many of the mills because of our buying strength. We lay off when we see [prices] moving up."

Dover Tubular acquires its material directly from mill sources, relying on both foreign and domestic mills to ensure a full range of products and to cover itself against the vagaries of the U.S. dollar on the world's monetary markets. Foreign mills—such as Sumitomo Metals, Tokyo; Nishimura Kogyo, Osaka, Japan; and Sandvik Steel Co., Sandviken, Sweden—supply the company with 55% of its material. Domestic mills, which account for 45% of its products, include Trent Tube, East Troy, Wis.; Damascus Tubular Products, Greenville, Pa.; Bristol Metals, Bristol, Tenn.; and Combustion Engineering, Chattanooga, Tenn.

The combination of long mill lead times and wildly fluctuating prices can send service center executives into apoplexy, but the Rattners seem to

Down to the bare tubes

The Rattners have a "no frills" approach to business. Their attitude is best illustrated by the way they market their products: Dover Tubular does not employ outside salespeople; it depends completely on inside salespeople. The Rattners simply feel that outside salespeople are not necessary for their business. Outside salespeople often play the role of an educator: they

Dover Tubular claims it turns a profit by providing metal service centers, jobbers, plumbing wholesalers, and other distributors here and abroad with what they want, when they want it, at a price that is firm at the time of ordering. "We respond to the needs of other distributors in the country when they're short on stock or don't have a specialty item," Joe Rattner says. If a prospective customer is not listed in *Dun & Bradstreet* as a wholesaler, the company does not want its business. The reason is simple: if the Rattners sold to end-users, they would be biting the hand that feeds them.

The bigger the better

Founded in 1983, Dover Tubular occupies a narrow niche between fellow distributors and the mills. The company makes its money on what it can buy from the mills and sell back to distributors. While the company is only six years old, the senior Rattner has worked in the tube and pipe industry for more than 45 years. Without this experience, he says, he would not have been able to hollow out the small but profitable niche that Dover Tubular occupies in the industry today.

"Many of our customers can also go to the mills—and they do," George Rattner explains. "Our key advantage is that we're very capital oriented; we're well financed. We make the investment in a high-risk product line, whereas they may choose not to invest [as heavily] in this line."

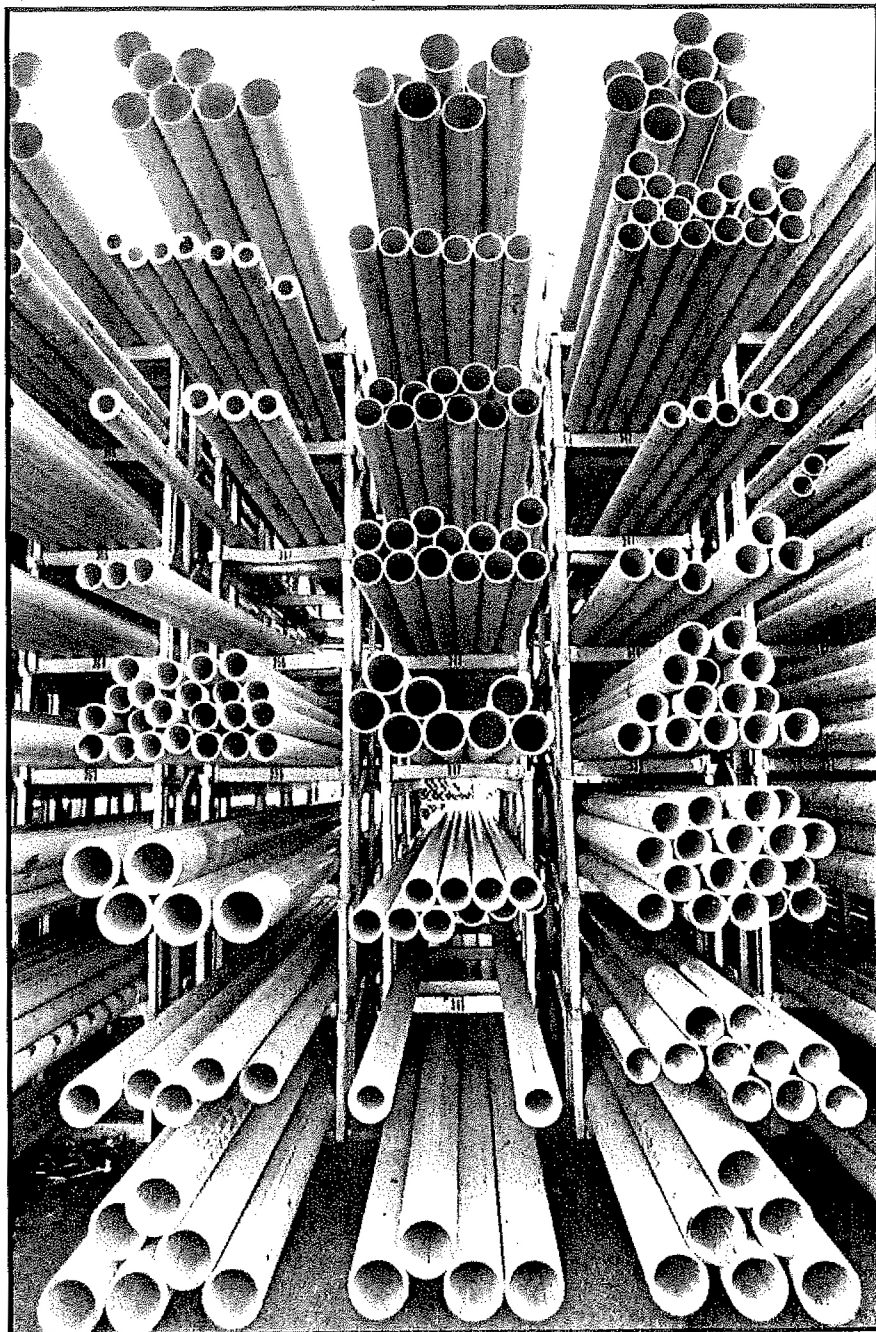
Distributors generally devote their working capital to finance both their accounts receivable and inventory. "By dealing with us," the younger Rattner says, "they are able to use their working capital to carry more accounts receivable, rather than financing their inventory load. It's an advantage for them to work off our inventory because they get credit financing from us."

The cornerstone of the Rattners' business, then, is its multi-million-dollar inventory. Dover Tubular pipes and tubes come in countless lengths, diameters, grades, and wall thicknesses, and find their way into such diverse products as syringes, plumbing,

and weapons. The firm's stainless and nickel alloy tubular products are pressure-tested to specifications set by the American Society for Mechanical Engineers and the American Society for Testing & Materials, and are used in the aerospace, chemical, pharmaceutical, paper, and food-services industries, to name a few.

Dover Tubular stocks more than 2,000 line items in its 80,000-sq.-ft.

warehouse. This kind of variety permits one-stop shopping: salespeople and purchasing managers from other distributors can contact Dover Tubular for such hard-to-find sizes as 12-in.-O.D. [outside diameter]-by-1-in.-wall seamless tube and such uncommon grades as 347H and 317L; and because placing an order for numerous items with the same supplier saves time and money, customers also buy



One thing that sticks out at Dover Tubular is the wide array of tubes and pipes in stock.