

Going vertical: Distributor expands into stamping, metal fabrication, and assembly

[fab thefabricator.com/article/shopmanagement/going-vertical-distributor-expands-into-stamping-metal-fabrication-and-assembly](http://thefabricator.com/article/shopmanagement/going-vertical-distributor-expands-into-stamping-metal-fabrication-and-assembly)

Millenia Products Group processes coil, stamps, fabricates, and assembles under one roof

The FABRICATOR June 2015

June 3, 2015

By: [Tim Heston](#)

Millenia Products Group launched as a distributor in 2001, but from the very start it had plans for vertical integration down the supply chain. Today it offers distribution, stamping, roll forming, fabrication, and full assembly services—all in one organization.



Millenia Products Group's plant in Illinois has distribution capability, and it produces a variety of products, including stamped components, roll formed rails, and fabricated enclosures.

Metal distributors are no strangers to fabrication. Major ones have dabbled in fabrication for years. Customers have been asking for more fabrication, and distributors have been obliging. OEMs don't just want metal leveled, slit, or cut to length; they want a part profile cut, they want it bent, and they may even want a welded subassembly.

Some distributors have launched contract fabrication divisions to service this need, others have acquired custom fabricators. If distributors expand beyond early-stage fabrication processes into full-blown contract fabrication and manufacturing, they often operate their distribution and manufacturing arms separately.

Frank San Roman had a different idea. He had worked in metal distribution, as did his business partner Jerry Pines, so when they launched Millenia Products Group in 2001, they began in the business they both knew—metal

distribution. Yet from the start they had plans to expand into various aspects of metal manufacturing: custom fabrication, roll forming, stamping, and assembly. At the Millenia plant in Itasca, Ill., metal starts as coils. It's leveled; cut and slit; and sent downstream to stamping, roll forming, punching, laser cutting, bending, forming, welding, finishing, powder coating, assembly, and packaging. The manufacturing technology produces piece parts, complete assemblies, and everything in between. It also has several product lines, including a line of kitchen products for dorm rooms and other small environments.

San Roman summed it up this way: "We're a lot of things all integrated under one umbrella."



While Millenia remains in the distribution business, most of its revenue now comes from manufacturing. Expanding vertically isn't pervasive in metal fabrication, at least not yet. But according to San Roman, vertical integration is making a lot of sense, especially as large OEMs have consolidated their supply chains to partner with preferred fabricators, many of them large contract manufacturing operations.

Pines has been in metal distribution since the 1960s, and over the years he built up a fairly large metal distributor called Metro Metals, which he sold in the late 1990s to an investment firm. San Roman worked at a family-owned business called Viking Materials, which was sold in 2000 to Reliance Steel & Aluminum.

The two had known each other more than 20 years, and in 2000 they started talking: What if we launched a company that offered the services not just of a distributor, but also other aspects of metal manufacturing—custom fabrication, custom stamping, contract manufacturing, and product line manufacturing?

"The initial goal was to launch a metal distribution company, because that was our background," San Roman said, "but the long-term goal was for us to become a vertically integrated company that would allow us not only to manufacture products at certain levels, but also to be a global competitor in the marketplace. We wanted to be able to compete with China, India, Mexico, and everywhere else."

The company launched in March 2001—not the best timing. But despite the challenges after the terrorist attacks and dot-com bust, San Roman said that the organization has been profitable every year.

Early on the company purchased an electrogalvanizing line in Chicago (one that Pines helped build while at Metro Metals).

San Roman called this a "stepping stone to the next level of distribution."



From Coil to Plug-and-Play

Walker Corp., a subsidiary of Millenia Products Group, fabricates and assembles car-charging stations for Volta Industries.

This marked the beginning of Millenia's growth in the manufacturing business, both organically and through acquisitions. In 2005 Millenia purchased a family-owned roll forming company. "The model is really simple. The distributor buys metal from the mill and marks it up and sells it to the roll former, which marks it up and sells it to somebody else," San Roman said. "We eliminated the margin between the distributor and roll former and fed that downstream. We had one profit margin under one umbrella that made that [roll forming] company more competitive in a marketplace that was getting squeezed."

Growth continued over the next few years. Millenia opened distribution centers in El Paso, Texas, and Riverside, Calif. It bought a fabrication company, bought another small stamper, and purchased more fabrication equipment, all with the goal of vertical integration. Today the organization has purchased or launched 11 companies and has brought them under the Millenia Products Group umbrella.

"This allows us to do any step a customer requires, be it raw metal, a bent angle or channel, to a punched part, to a complete assembly," San Roman said. "It really depends on what the customer wants."

San Roman conceded that some distribution customers started to view Millenia as a competitor. "Here we are selling steel to a fabricator, then we buy a turret, a laser, and a brake press. But if you look at the footprint of [a distributor], some have been fabricating, plating, bending, and welding parts for 30 or 40 years. People just haven't recognized this as a vertical business model. We basically took the European, Asian, and South American models and mimicked that.

"The model exists; it just hasn't existed in the U.S., because the U.S. has been built on that family, self-starter business model," he continued. "So we're now looking at these second- and third-generation family businesses, and asking, 'What if we put them together? Can we be competitive?' Now, 14 years later, the marketplace is starting to embrace what we've put together."

Today Millenia's salespeople are given training in all areas of the company. They can choose where they best fit, or they can sell the entire vertical platform, from metal distribution to full product assembly. If sales works with a custom fabricator, they approach that company as, of course, a metal distributor. But if the salesperson visits a product line manufacturer, the conversation can end with anything from an order for a bent part to a fully coated and assembled product, packaged and drop-shipped to the customer's customer.

"We've found that every customer needs something that we provide, and they're embracing the [vertical integration] concept," San Roman said, "because they don't want to call 13 different companies to order a part."

San Roman described Millenia Products' experience with Snap-on Inc. At first Millenia provided only raw flat metal. Now it manufactures an entire product line, packages it, and drop-ships it. "Snap-on never touches it," San Roman said.

Millenia has consolidated its Chicagoland operations into one plant in Itasca. It has another facility in Ontario, Calif.—the home of stamper and fabricator Walker Corp., which Millenia purchased in 2013. It also has two facilities in Mexico and partnerships with other entities for warehouses and metal distribution around the country.

"Our goal eventually is for each facility we own to have the same capability," San Roman said. For instance, two years ago Walker was known mainly as a stamping operation (hence its name), a progressive one, in fact, with a mature lean manufacturing program. Walker, which started venturing into metal fabrication in 2000, has since added more turret punch presses, press brakes, additional welding, and other fabrication capabilities. At the same time, the Itasca plant is expanding its automotive stamping capabilities, learning from Walker's longtime expertise in the business.

Vertical integration has its technical merits. Millenia cuts its coils to the lengths it needs for the application—no need to work with standard sizes and deal with sheet remnants. And if there's a problem with the material, be it in a stamping die, in a roll forming system, on a laser cutting machine, or under a press brake punch, managers can trace the problem upstream to the initial leveling, slitting, and cut-to-length machines. Or they may work directly with the mill to correct a material problem.

"There's no finger-pointing," San Roman said. "We control the whole process. A big portion of our distribution is internal. We're buying our own material for internal use on the manufacturing side of the business."

At the same time, distributors often have issues with scrap, which includes fall-offs from the master coil. Instead of selling it for scrap, Millenia uses that material for its own manufacturing processes. "We try to consume all the scrap to minimize the loss," San Roman said.

A Complex Operation

Of course, vertical integration has its challenges, too, including managing all the part flow. Custom fabrication, stamping, and roll forming part flow is complex enough. Add coil processing upstream and product assembly and packaging downstream, and you have even more parts and pieces to manage. "Putting a roll former next to a laser, and a laser next to a stamping press, and trying to get them all to work in the same direction, and putting a production system in place in a vertically integrated model—it was the big initial challenge," San Roman said. Once it was dialed in, though, San Roman said all the work paid off. "It's such a good story to the end customer, and the price points are competitive. It's an easy sell."

Another challenge has been back-end process standardization. All those company acquisitions also came with their own production management systems and software. At this writing, the Itasca facility had four software systems running concurrently. The company invested in a cloud-based enterprise resource planning (ERP) platform from Plex Systems, and this year and next it will be migrating all of its facilities over to the platform.

Partner or Competitor?

Another challenge: Millenia sometimes walks a fine line to ensure it doesn't compete head-on with customers, when possible focusing on different sectors. "We try not to step on toes," San Roman said. "That doesn't always work, and you have to be honest about that. The reality is, for us to be competitive on a global basis, we are going to run into situations where we do compete [with customers]. But we do it in a businesslike manner. At the end of the day, though, certain customers do not see that as a favorable situation and will not buy from us. That's just the fact of life."

But not every customer feels this way. If Millenia's distribution side provides flat stock to a fabricator and offers the best price and service, many fabrication customers feel it's in their best interest to buy from Millenia, even though Millenia's manufacturing side may compete. After all, we're living in a world where Apple and Samsung compete furiously, yet the iPhone® has Samsung components.

San Roman added that an OEM may contract with a custom fabricator for a subassembly, then send it to Millenia for additional processing. "They eventually come to us and say, 'Why don't you just do the whole thing?' It's not us. It's really driven by the end customer."

Proving a Business Model

When the 2008-2009 recession hit, Millenia was a growing company, a relatively new player, yet those down years were actually good years for the company. San Roman traces that success back again to vertical integration. "We were able to consume a lot of [metal] inventory in our manufacturing business," he said.

Its success also had to do with the price of metal. If a metal distributor doesn't have contracts in place to lock in prices, margins can take a hit when metal prices go down, and distributors have no choice but to sell the inventory they have at a lower price. The market basically controls prices, and the current market hasn't been very kind to metal distributors. As during the recession, this year metal prices are down thanks to lower global demand.

Today 80 percent of Millenia's revenue comes from manufacturing. On the distribution side, customers demand lower prices as the price of metal goes down. In manufacturing, "the price may change on an annual basis, but it won't change month to month," San Roman said. "As the [metal] market continues to dive down, we're able to buy down the price. The downward-spiraling market prices on the distribution side actually help our manufacturing side."

For instance, Millenia may have a blanket order for a part, delivered in small quantities to the customer throughout the year. If Millenia managers feel that prices will continue to slide, or remain turbulent, they don't lock in a contract but instead buy metal on the spot market. This, San Roman said, has made a vertically integrated business model even more competitive.

Jobs become more complex when you add a process, be it stamping, fabrication, assembly, or anything else, but they also come with higher margins. San Roman also said that jobs requiring many or all of the services Millenia offers—those that require control over the entire production of a complex product—is a less crowded market. And the barrier to entry is high, requiring not only a lot of capital equipment, but also engineering and design expertise.

The company didn't develop its manufacturing capability overnight. "We had no idea what we wanted to do, because we were distributors, not manufacturers," San Roman said.

So they started dabbling in areas that seemed to fit, and they worked with customers who were struggling with their current manufacturing arrangements. "It took eight years for us to really get a handle on what we were going to do [as a manufacturer], and during the past four or five years is when we really started to develop and grow."

San Roman added one eyebrow-raising coda: "Our projected revenue for this year is \$84 million. Our goal is to be a quarter-billion-dollar company within the next three years."

From Coil to Plug-and-Play

Frank San Roman, president and CEO of Itasca, Ill.-based Millenia Products Group, has been involved with numerous acquisitions during the past 15 years. Most have involved second- or third-generation family businesses for which owners were looking for an exit strategy. One of them is Ontario, Calif.-based Walker Corp., a company that came with a strong brand and years of automotive stamping experience.

“Two years ago, the owners [of Walker] decided that it was time to move on, so they approached Frank, who had been a supplier of ours for 10 years,” said Michael Bermudez, Walker’s vice president and general manager. Talks started with ideas about partnerships or a joint venture. Eventually the conversations moved to selling the business to Millenia. “There was a focus on vertical integration and understanding the cost structure and pricing,” Bermudez said.

They chose to move forward with the purchase, and one story that Bermudez tells shows how Walker has been a good fit under Millenia’s philosophy of providing all processes—from coil processing to fabrication to electromechanical assembly—in one organization.

A company called Volta Industries approached Walker about three years ago with a prototype of a car-charging station—a sheet metal enclosure with more than 150 metal and electronic components inside—fine for a prototype, but costly to produce on a larger scale. So Bermudez’s team redesigned it to fewer than 50 pieces. “During this process, I asked the [Volta] representative, ‘Where are you assembling this?’ I told him that this was our background. We had a lot of experience with electromechanical assembly and design for manufacturability.”

Today the company is on the forth iteration of the product, and it’s now much less costly to produce. The whole process starts at Millenia with coils that are processed and cut to length. At Walker they’re punched, bent on press brakes, coated, fully assembled, and tested.

“When it leaves here,” Bermudez said, “it’s plug-and-play.”

Tim Heston

Senior Editor
FMA Communications Inc.

833 Featherstone Road
Rockford, IL 61107

Phone: 815-381-1314

