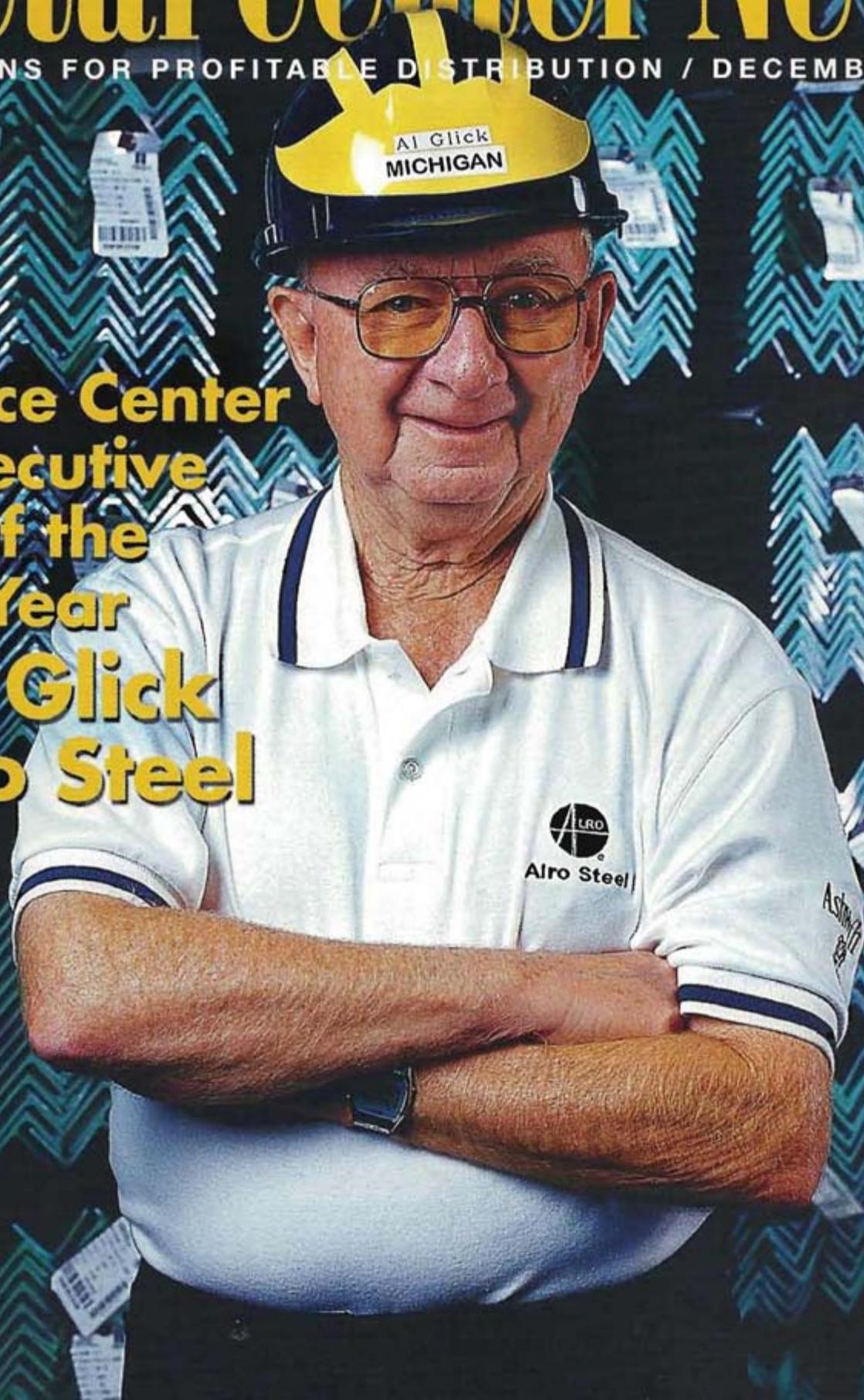


# Metal Center News

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**Service Center  
Executive  
of the  
Year  
Al Glick  
Alro Steel**



## IT'S GOOD! SERVICE CENTER EXECUTIVE OF THE YEAR 2000

Alro Steel Corp.'s Al Glick An ardent University of Michigan Wolverines fan, Al Glick uses the school's football philosophies to inspire his business.

Based on Alro Steel Corp.'s robust record of growth, its embrace of new technologies, its unfailing devotion to customer service and its founder's strong reputation for leadership and integrity, Metal Center News has selected Alro Chairman Al Glick as its Service Center Executive of the Year 2000.



Each year, MCN bestows this honor on an individual whose career and business strategies represent a model for the rest of the industry. Glick's accomplishments are reflected in Alro's 97 percent on-time performance for deliveries, numerous quality awards from major customers, its expansion of product lines and value-added services, and its strong growth through acquisitions and greenfield startups.



The son of a scrap dealer, Glick founded his Jackson, Mich.-based company in 1948 in response to the post-war steel shortage. "The Alro name comes from the first two letters of my name and of my brother Robert's. Robert was never active in the company, but when I started I was very young and naïve and didn't know what I was doing, so he counseled me.

"We had great people when I first started, and we have a lot of great people now. Without them, we wouldn't have a chance," Glick says, adding, "This hasn't been a one-man show."

But in a sense, it has. As a leader, one couldn't ask for better than Glick. He's a born salesman with tremendous energy and drive, more than enough for a man half his age (he's 74), and his zeal for the business is evident by the twinkle in his eyes.

## The Business

Eighty-seven percent of Alro's revenues come from metal sales, 5 percent from toll processing, 6 percent from industrial products and 2 percent from plastics. Purchasing magazine reported Alro's 1999 revenues at \$375 million, but recent acquisitions and increased sales should push that into the \$400 million range this year.

"Our sales growth has been steady since 1981," Glick says. Alro's fiscal year ended May 31 saw revenues increase slightly over the prior year, and Glick estimates sales this fiscal year will improve 2 to 3 percent.

Alro Group serves about 20,000 customers from 44 facilities in 12 states, four of which are Alro Industrial Supply branches and three of which are Alro Plastics locations. The rest are metal centers. The company employs about 1,400 people. "On average, we do 9,000 line items a day," Glick says, or about 180,000 line items per month. The average line item costs \$208.

Alro sells into many market segments. "There's no way we know how much goes into each industry," says Glick. Customers include screw machine shops, machining and fabrication shops, tool and die shops and machine tool builders, plus OEMs such as those that make lawn furniture, industrial sweepers, car wash equipment, medical equipment, conveyor systems, etc.

"Obviously, being in Michigan, automotive is a very strong part of our business. Between the Big Three, however, the total is only 7 percent."

For the Big Three, Alro's primary role is to deliver maintenance, repair and operations supplies to assembly plants around the country, as well as to Tier I and II automotive suppliers. "We keep the plants running," Glick says. "We're very strong in MRO, but we're getting stronger in production all the time."

As the U.S. economy slows, Alro is boosting its value-added capabilities. "With that, we anticipate selling more products and services to our existing customers and gaining new customers. If our strategy is right, our sales should continue to rise."

The complete product line is highly diversified. Alro often stocks items that no one else will, Glick says, citing the widest variety of cold-finished Grade 1018 flats of any service center in the United States, for instance.

Alro continually adds products based on customer demand. "We ask our customers, 'What do you want us to stock?' A lot of customers want items other than what they're already purchasing from us," Glick says.

"Our philosophy is, you come to Alro to get everything. Fast delivery, right the first time. We take care of big customers and little customers with the same attitude. They are all important. Little customers grow into big customers," he adds.

Because of the large volume of orders Alro processes each day, occasional mistakes are unavoidable. "When we do make a mistake, our first emphasis is to take care of the customer, then figure out what happened and fix it."

Alro's leadership, from left, includes Carl Glick, vice president and secretary; David Schmidt, director of purchasing; Barry Glick, vice chairman and president, Alro Metals; Mark Alyea, president and chief operating officer; Bob Glick, vice president; Randy Glick, vice president, assistant secretary and treasurer; and Chairman and CEO Al Glick.

### **Service capabilities, customer relations**

With its fleet of 150 trucks and trailers, Alro estimates its delivery capacity at 8.5 million pounds a day. Eighty to 90 percent of the orders Alro ships today were taken yesterday.

To fill orders so rapidly, Alro uses a 240,000-square-foot warehouse in Potterville, Mich., as a hub to serve all its locations in Michigan, Indiana and Ohio, as well as more far-flung branches. Trucks arrive all day and night to pick up material at Potterville's 19 loading docks.

"We might get a mill shipment that will go to several locations. We'll unload that truck and put it straight onto other trucks," he explains. "Over half the material received in Potterville is just cross-docked to go to our other locations."

Alro has spoiled its customers with next-day delivery and wants to keep them spoiled, Glick says. "If we can't do it, we tell them we can't. We do what we say we're going to do. The word of one Alro employee should be the word of all of them," he remarks. "Nobody can compete service-wise with us. Unless they have products we don't have, there's no way they can out-service us."

The company especially prides itself on being there in a pinch. In one instance, an alert Alro salesperson provided GM's Lansing assembly plant with a special alloy bar that enabled the carmaker to quickly replace a broken shaft in a machine and return the plant to production. What could have taken days was fixed in hours.

"The plant manager told us that when his plant is down, it costs \$50,000 an hour," Glick says. "We kept GM from having to send people home and kept their production on line."

In addition to winning GM's Supplier of the Year award in 1992, 1993 and 1994, Alro received notice Oct. 24 that it had won the Q1 Quality Award from Ford Motor Co. this year.

Alro sends out satisfaction surveys to 300 or 400 different customers every week. If any are returned with very negative comments, guess who handles it? "I get right on the phone, and they're shocked when I call. I ask, 'What did we do wrong and how can we correct it?' In many cases, we take problems and turn them into opportunities," Glick says.

### **Inventories, data systems**

Deep inventories and the use of advanced data management technologies help keep Alro competitive.

Alro's inventories, with 3.5 months of material on hand, are the highest in the company's history--but so are its sales.

"If we were a public company, we'd be under pressure from Wall Street to reduce our debt and inventory, and our inventory would be 10 or 15 percent less. But the best way for us to give service is by having products in inventory. It keeps our customers coming back. As long as we stay private, we'll have lower turns than most," Glick says.

Alro continually improves its computer hardware and software, telecommunications, Internet and data management systems. President Mark Alyea, a 19-year veteran of the company who began as a programmer, is the executive most responsible for advancing these systems company-wide.

Alro built a Data Processing Center in Jackson, its "electronic expressway," to manage the information flow for all locations. It also backs up the data for quick recovery in the event of a disaster. The building isn't even identified by signage, for security reasons.

To cite one innovative use of technology, Alro has instituted a bar-code ordering system with certain auto plants. To place an order, plant personnel just scan a bar code in an Alro catalog, and it's transmitted to Alro's computer. Alro's system automatically faxes an order verification back to the plant purchasing department.

"A machine operator gets his material three to four days earlier than if he had to complete a requisition form and send it to the superintendent, the plant manager, then to purchasing," Glick says. "If somebody is on vacation or in a meeting, it gets held up. They may have a machine down in the meantime."

Alro regularly updates its Web site and on-line ordering system, but has refrained from partnering with any of the metals trading exchanges. It's too early to know exactly what role the Internet will play in the industry, Glick says. "We're a little bit sheltered from the buying sites because our customers want stuff the next day, often small orders. They aren't going to get that through the Internet and they aren't going to get the service we can provide."

## **Capital investment**

Alro's 44 branches total nearly 3 million square feet and new greenfield projects are in the works. The company is building a 120,000-square-foot metal center in Niles, which will open next summer, to better handle customers in southwest Michigan. Alro also plans to add 40,000 square feet to both Potterville and its 120,000-square-foot Indianapolis warehouse next year.

"We aren't very sophisticated when it comes to our capital budget," Glick says, though the company spent at least \$30 million on improvements in the last three years. "We make a budget three ways [based on market conditions]--the worst-case scenario, an average scenario and an outstanding scenario. To me, a budget is no more than a guess. We do them for our banks."

Alro invests substantially in processing equipment. "We have a lot of new machines coming--flame cutting machines, plasma machines, saws. Customers are demanding such better quality today that some of the old equipment can't do it," Glick explains.

Alro is flexible enough to act quickly when market conditions and customer requirements change, he adds. "We don't have to go through the bureaucracy that some bigger companies do."

## **Acquisitions**

Mergers and acquisitions among service centers have slowed but hardly ceased, and Glick feels some companies in the industry are vastly undervalued by Wall Street. "We probably get two to three letters a week from business brokers or companies that are up for sale," he says.

Alro, which has acquired 27 companies since 1983, judges the viability of acquisition candidates based on product line, geography and the quality of their personnel. "If they process and slit coils, we're not into that at all. If they're on the West Coast or way out of our area, we wouldn't pursue that. If somebody came up with a great location and a great product line, but the people were lacking, we wouldn't be interested," Glick says.

Alro tries to retain the employees and managers at the companies it buys, but only those who can adapt to the new culture. "In many cases, their sense of urgency is not as great as the Alro culture's sense of urgency. We want them to take care of the customer the way we do," Glick says.

When integrating acquisitions, Alro trains the company's employees on its systems, preaches its philosophies, and almost always boosts inventory and secures better deals on purchases.

To finance acquisitions, Alro borrows from three banks with which it has long-term relationships. "We have debt, but we've maintained our debt-to-equity ratio at a level similar to or better than most of our peers," he notes. Page 4

### **Vendor relations**

Alro tries to sustain long-term, win-win relationships with all its vendors. "As a distributor, you're a mirror of your vendor. We have 20,000 customers and we send out 20,000 statements a month. If the vendor lets us down, they let down a few thousand customers," he says.

Alro strives to be a good customer, paying its vendors, on average, within 17 days in a 60-day payment cycle. It has also attempted to work with suppliers to cut costs, such as through vendor-managed inventory programs, but with mixed results.

"We've found that a lot of mills are just getting into VMI. My perception is that the mills have been sort of antiquated in their thinking. That's one of the problems in our industry, the old culture. We have to realize we're working globally," Glick says.

Alro hasn't used VMI with its own customers because their inventories and cost of possession have already been reduced as a result of Alro's just-in-time deliveries.

### **Employee relations**

"The whole foundation for Alro is our people," Glick says. Decisions on planning, purchases of new inventory and equipment, and expansions are made with employee input from the bottom up.

"We'll go into a branch and ask people, 'What can we do to make this successful? Do you need different equipment? What kinds of inventory do you need?' We listen to what they want."

Glick cites a recent situation in Jackson in which, at the urging of an operator, the company decided to retain rather than retire an old burning machine upon installing a new one. "In talking with one of the operators, he said, 'You don't need to get rid of that. If you keep it for light material, it will do an excellent job.' So we will maintain that older machine, since we have a lot of jobs we can still put through it," Glick says.

"Al gives us the vision of what we're supposed to accomplish, then he lets us go and do it. Day to day, we make the decisions as long as we've all bought into the vision," says Pete Savolidis, general manager of Alro's Tampa, Fla., branch.

For example, he says, Tampa is in the very early stages of considering a facility expansion. "We're putting together the layout and involving every branch employee. We want their input on how they would set up the location, the best way for material to be stored and to flow through the building. You don't get that everywhere. [At another company,] the expansion would be done and you would be told to make it work," he says.

Irving Rowen, sales manager for Alro Specialty Metals in Menomonee Falls, Wis., says that when Glick visits a plant, he talks to virtually every employee on site. "He doesn't point fingers if there's a problem. He never rants, raves or carries on. He never exerts his will. He will convey his thoughts, and he expects the problem to be remedied. It's a group mindset. It's never one man's total answer," Rowen says.

Corporate has backed the branch's product line expansion to support supply contracts with customers, which necessitate more space and more cutting capacity, he continues.

"There has never been an argument in this area," Rowen says. "If we feel we need it and show we have had inquiries, the company never says you can't do it. What they do say is, 'You need a new building? We'll add to it. You need new trucks? We'll give you new trucks. You need more saws? We'll give you additional saws.' They're very obliging. They make it easy for us."

## **Management style**

Glick practically eschews job descriptions. He has four business cards with various titles, including "salesman." His role is to "understand the whole picture better than anybody else, to teach people to take advantage of my experience, to complement the sales force."

He makes sales calls on customers, supports field sales managers and gets involved with purchasing. He is often featured in the company's training videos sent out to all locations, in which he stresses Alro's culture and mission.

"My forte is being honest and saying what I think. I don't hold back," he says. "I talk about the culture of the company, which starts with integrity. If a customer has a problem and they call in, even if you didn't take the order, you take care of that customer. We cultivate teamwork, communications. Everything we do, we want to do in a positive way."

Glick says he cannot forecast Alro Steel's future. "We never set goals; goals are limiting. We do the best we can every day."

He does believe Alro will continue to grow its contract supply and value-added services business as customers' demands continue to increase.

Chances are one in 10 that Alro would take itself public, Glick says, "but I wouldn't say never." Investment banks have advised him that Alro isn't ready for such a step anyway. "If we were public today, our stock would probably be selling at half of book value, like everybody else's, regardless of what our results are."

Merging with another company is also a future possibility. "We are looking out for opportunities that make sense for our employees, customers, vendors and for our family, and which are good for our long-term viability," he says. "[If a buyer made a good offer] we'd listen, but as long as I'm alive and healthy, I don't want a boss.

"Today, there is more stress and more problems because the demands are all changing, but there are also more opportunities than ever before. I'm more excited to come to work today and see what's new than I was 52 years ago. As long as my health allows, I'm going to be around."

By Corinna C. Petry, Managing Editor  
Metal Center News  
(Photos by Bill Staniec)

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