

The FC^X formula for specialist distribution



Specialist distribution is more than just 'stocking and selling'. Much more. Issues such as technical support, added value and automated flow control packages are

increasingly important to end users. Manufacturers, too, expect distributors to provide greater customer reach. Valve World thought it high time therefore to find out more about what the specialist distributor does. We dropped in on four of FC^X's locations, in England, Italy, the Netherlands and the USA to discuss these and other issues with its top management.

The role of the specialist distributor is all about adding value. In addition to the three classic customer needs – have you got it, when can I have it and what's the price? – we add technical expertise to service and delivery. That's our strategic positioning and that's why we have developed such a global customer base in the ten years since our creation from well-established local companies."

Those opening words from John Perkins, FC^X's Group CEO, may make the job of the specialist distributor sound easy. But don't be mistaken. As *Valve World* quickly learnt during a visit to FC^X's headquarters in Weybridge, England, developing a successful distribution operation takes much more than just 'stocking and selling' products. For example, each market must be carefully analysed to determine an appropriate mix of line items. That's no mean feat for FC^X considering how many markets it serves! Moreover, needs often vary from region to region. So the valves used in a pharmaceutical plant in Ireland may differ considerably from those preferred in say the

Mid West of the USA. Many customers also expect additional services, such as the ability to provide assembled packages or to support project operations overseas. National identities must also be considered, as people in differing countries often have their own unique approaches to business. In short, the distribution matrix is very complex, and it is to FC^X's credit that it has come so far so quickly.

Mr Perkins is convinced that FC^X's excellent results are based on its thorough understanding of customers' expectations. "Our people in the field work closely with their local clients. They know their specific needs, from chemical plants in Germany to mining projects in Australia. This technical expertise means we can provide valuable benefits for our clients which gives us a clear advantage as a specialist distributor."

Extended service

To gain a better insight into the day-to-day activities of the specialist distributor *Valve World* also undertook a short journey to

Maastricht, the Netherlands. There we met Felice Lauriello, Chief Executive of FC^X Europe. He explained that FC^X Europe does not just 'stock and sell' valves but also has the resources and applications knowledge to assemble and test complete packages to meet customer requirements. "What we are doing is adding value throughout the supply chain for both end

users and engineering companies," he emphasised. "We provide range and quality, as well as technical back-up and packages. We maintain brand-leading stocks for the prompt service of MRO markets and have experienced project managers to meet the demands of complex international projects as well."

Discussing the scope of FC^X's European operations, Mr Lauriello said the company covered all key areas where process valves, instrumentation and control valves were required. "We serve a great many markets, both niche and main-line. Our approach in all cases is to be the leading specialists in the product ranges offered to the market," he commented.

Whilst he is content with FC^X's performance to date, Mr Lauriello emphasises there is still room to expand. "Thanks to internal growth and successful acquisitions we've seen our business grow twenty-fold during the past ten years. Year-on-year improvements have been realised even during the recent market downturn, which really vindicates our strategy. Right now we are the number one specialist distributor in Europe. Even so, there are still plenty of opportunities for us even in mature areas such as France and Germany."

Mr Lauriello's optimism was mirrored on the other side of the globe by Fred Cross, Chief Executive of FC^X Asia Pacific. He, too, noted FC^X's strengths in providing added value and solution engineering to clients throughout the Asia Pacific region. "From our 15 locations we serve diverse markets, including oil & gas in the Timor Sea, nickel and gold mining in Papua New Guinea, and food and beverages throughout New

Zealand and Australia. We have an established track record acting as single source suppliers in major engineering projects. Highly skilled teams provide assistance in product specification, materials selection, documentation support together with co-ordination of testing and inspections and, of course, logistical support ensuring the contractor gets the products he wants when he needs them."

Hub and spoke

As indicated previously, a key element behind FC^X's growth has been its acquisitions policy. Companies offering complementary skills or market reach are quickly bolted on and re-organised where appropriate to unlock new value. This has been the case in Australasia and especially so in the USA, where Amsco Sales, Mooney Process and



FC^X is a trusted solutions provider when it comes to demanding applications such as cryogenic electrovalves for the Ariane 5.



A network of stocking centres, such as this one in Australia, is the backbone of FC^X's fast and efficient distribution capability.

Simco Controls have been combined to create FC^X Performance Inc in just four years. Reason enough for *Valve World* to drop in on the company's headquarters in Columbus, Ohio, for a look behind the scenes. Our visit left no doubt about how efficiently FC^X can distribute its products. Said Charles Simon, President and CEO: "The formation of FC^X Performance has created scale and a broad range of capabilities. Simco had a strong presence in traditional industrial flow markets whilst Amsco brought in experience in high purity mar-

kets. We continue to serve these sectors with the same dedication and local presence as before the merger. What has changed is that we can use our size to extract value from the supply chain."

In this respect, FC^X Performance is cleverly using the so-called 'hub and spoke' distribu-



With a strong quality ethic, FC^X is easily gearing up to the introduction of the PED.

tion model to provide efficient customer service. Mr Simon: "The classic conflict in distribution is about how much stock to keep and where. The traditional route relies on full stocking branches, which are expensive to maintain. Our philosophy is to centralise most stocks in a so-called hub whilst leaving people on the ground, who are our spokes, to offer an immediate point of contact to clients. We then utilise technology and logistics to ensure the prompt availability of parts over a very wide area."

Mr Simon further explained that the central warehouse has enabled FC^X to invest in a full range of stocks whilst avoiding expensive and unnecessary duplication. A quick tour of the premises confirmed that FC^X Performance has a vast inventory of valves, actuators, instrumentation, fittings, packings, gaskets, etc. Again, items carried are well geared to the surrounding industries, including the pharmaceuticals, pulp & paper and chemicals sectors. "These industries demand a 24-hour service, so our off-the-shelf availability is a key selling point," added Senior Vice-President Charley Hale.

The tour also took in FC^X's well-appointed

actuation centre, which provides certified and serialised packages, as well as a newly-installed facility for the setting and repairing of safety valves and pressure relief valves. "This is just a small part of our business yet is already quite profitable," said Mr Hale. "The key thing to appreciate is that it gives us a full service capability. Today's customers do not just want premium products from leading manufacturers, they insist that distributors can provide proper long-term support as well. In our case that even extends to the customers' own locations, as we have invested in a mobile repair shop."

Mr Simon concluded our visit by reiterating why the FC^X concept is so attractive to both sides of the valve supply chain. "This isn't just because we have cut costs. Manufacturers appreciate our customer reach and the service we provide to end users. In turn, the end users are increasingly relying on us for technology support. So the recent mergers are already paying off, and have created a great platform from which to further grow the business."

Niche manufacturing

In addition to being a specialist distributor FC^X is also a reputed manufacturer of some very niche products. An important point to note, however, is the fact that FC^X's manufacturing businesses operate independently of the distribution channels and almost all of their products are sold directly to end users. Mr Perkins: "The question sometimes arises whether there is a conflict of interest between our own manufacturing businesses and the third party suppliers used by our distribution channels. That is most emphatically not the case. Our manufacturing businesses focus on select markets such as the naval marine, nuclear or liquid natural gas sectors which tend to be project driven, arduous appli-

cations not serviced directly by distributors. That will remain so. Moreover our manufacturing businesses are important as they give the FC^X group as a whole valuable technical credibility."

For an insight *Valve World* paid a visit to one of the five manufacturing locations - the FC^X Orton plant, in Piacenza, Italy. This well-equipped and flexible enterprise produces high quality butterfly valves in a range of types, sizes and materials. Said Managing Director Piercarlo Pighi: "Most of our valves are produced to order. We can do that cost-effectively thanks to investments in technology and people." Mr Pighi then highlighted some recent additions to the plant, which include a vertical lathe which can machine valve bodies up to four metres in diameter. A horizontal machining centre is also soon to be installed. Mr Pighi explained why: "The alignment of the shaft holes is of paramount importance in high performance butterfly valves. This new machine will help us meet our own exacting standards."

Whilst the range of valves produced by FC^X Orton is quite staggering - from the standard rubber-lined butterfly valve to the metal-seated non-return valve - it is the triple-offset metal-seated valve which Sales & Marketing Manager Alberto Aliani is most proud of. "This represents the future for valves," he commented. "Lightweight, com-



Arduous applications in select markets such as the naval marine, nuclear or liquid natural gas sectors are everyday reality for the group's manufacturing businesses.



Yet another example of engineering ability plus applications expertise: valves designed for Formula One racing cars



The ability to specify, assemble and test complete flow control packages is a defining characteristic for FC^X.

compact and easy to operate, it is natural substitute to parallel slide gate valves and ball valves. It is also replacing plug and globe valves in many on/off services." Mr Aliani added that orders have already been shipped to power generation plants, desalination units, water pipeline operators, navies and other industries around the world. "In a fertiliser plant, for instance, the owners switched from a ball valve to FC^X Orton's triple-offset valve and saved 50% off the purchase costs. Recently class 600 valves have also been ordered for the Trinidad LNG plant, where they offer significant size advantages over ball or gate valves."

Finishing off the visit, Mr Perkins commented that the FC^X manufacturing businesses are already geared to the introduction of the PED. All locations will be approved to use the CE Mark and some have already qualified. "FC^X always strives to meet the highest standards so naturally we have put a lot of effort into understanding and applying the PED. This PED ethic will extend to our distribution businesses as well."

Important role

Notwithstanding FC^X's manufacturing capabilities, Mr Perkins insists that the company's principal thrust will be in specialist distribution. This resolve can only be strengthened by a recent strategic decision: group parent Charles Baynes is to sell off its two other industrial distribution activities. The

released capital will then create a debt-free flow control business with a very strong position from which to move forward, emphasised Mr Perkins. "FC^X is well-established but there are ample opportunities for growth. For example, we are seeing new projects in developing countries and increasing demand for energy - look at the recent brown-outs in California! Existing process plants are also being upgraded to raise productivity, reach emission control targets and comply with safety legislation. To meet these and other challenges we plan on in-

vesting even further in Europe, the USA and Asia Pacific in the coming years. We believe other areas can be properly served from our strong presence in these markets. In fact, plans are already advanced to add on another 100 million GBP in sales, and we have just acquired Simone Engineering in the USA as part of that process."

Mr Perkins added that the distribution market in the USA was currently very fragmented, with an estimated 7000 (principally small-scale) players. The market is therefore ripe for consolidation, he believes. Mr Perkins: "End users want to reduce their vendor base and are increasingly looking to the distributor to assemble flow control packages for them. Manufacturers are turning to distributors who have both the reach and technical capabilities to properly serve end users world-wide. That's why the role of the specialist distributor such as FC^X is set to become increasingly important. Already our orders this year are up 25%, and I expect we will easily be a 250 million GBP company in three years time." ■

FACTS & FIGURES

Name:	FC ^X
Headquarters:	Weybridge, England
Principal activities:	Specialist distribution, niche manufacturing
Strategy:	Providing technical added value service and brand-leading flow control products and packages.
Client base:	End users and engineering companies world-wide
Client markets:	Aerospace, Biotechnology, Chemical, Food & Beverage, Industrial Gas, Iron & Steel, Mining, Naval Marine, Oil & Gas, Petro-Chemical, Pharmaceutical, Power Generation, Pulp & Paper, Water & Waste
Distribution organisations:	FC ^X Asia Pacific (15 locations in 3 countries), FC ^X Europe (23 locations in 7 countries), FC ^X Pegler & Loudon (5 locations in UK) FC ^X Performance Inc. (21 locations in the US)
Manufacturing companies:	FC ^X Orton, FC ^X Thompson Valves, FC ^X Trufflo Marine, FC ^X Trufflo Rona, FC ^X Specialty Valves
Offices:	80 locations in 13 countries world-wide
Employees:	1100
Sales:	150 million GBP