

Transmark International: leaner, stronger and better than ever



It is a difficult cyclical market out there. That is why Transmark International has initiated some radical changes in recent years. What has emerged is an extremely capable distributor that is very much back in the driving seat: leaner, stronger and better than ever at meeting the demands of an ever-shifting market. CEO Simon Heaton: "We have had a very successful and rewarding year especially when you look at where we came from. The years 1999 and 2000 were extremely challenging for the group, but 2001 and 2002 saw a complete turnaround." Valve World reports from Transmark's headquarters in Bradford, England.

Restructuring, reorganizing, disposing parts of the company, installing a complete new management structure: not business concepts that should be entered into lightly. Transmark International, however, has done all of the above in an heroic and definitely successful attempt to return the company to the market position it enjoyed at the end of the nineties. After some years which the new CEO Simon Heaton admits were "difficult", Transmark International is back with a vengeance.

Mr Heaton believes that in addition to the bad market another reason why Transmark International got into trouble was because acquisitions were not managed properly. "The mergers resulted in stock duplication, for example, which has now been recognised and the problem solved. There was also duplication in resources where we have now refocused and installed new management." Another item which needed tackling was the chain of command. Soon after Mr Heaton was appointed CEO, he therefore took the painful but necessary step to move the corporate office to Bradford, UK, which now functions as the command cen-



tre for a new company strategy. All of Transmark's operating companies worldwide, including the UK, the Netherlands, Belgium, France, Spain, Norway, Singapore and Australia, now report directly to Mr Heaton. Other UK activities, such as the project department as well as the valve stocks, were also relocated to Bradford to streamline operations and cut costs. Finally, notes Mr Heaton, Transmark International divested itself of some non-core businesses in Aberdeen (engineering services) and Newcastle (subsea fabrication), bringing Transmark back on track as a valve supplier.

Looking at logistics

Of all the MRO business Transmark International is involved with, no less than 80% is delivered from stock. "Basically, the new management centralized, rationalized and improved the stock facilities. There may be fewer stocking locations, but they provide effective coverage to all our markets," Mr Heaton explains. "Our major strength is services. If we're no good at that, we might as well all go home. Offering good service means having the right stock at the right place at the right time, and at a competitive rate. We score because we offer a one-stop-shop convenience with stock in depth. We also have the logistics to deliver specific valves to your plant whenever you need them. As for the price, you will not hear me say that we are the cheapest in the world, but we certainly offer the most competitive prices for quality brands." Transmark International can supply gate, globe, check ball and butterfly valves off the shelf, as well as a variety of actuators. Relief and control valves are not in the range. "Such items are really one-offs and made to

measure, so do not lend themselves to distribution. We continue expanding in other directions. For example, we are now receiving orders for HF acid valves, which are being added to our stocking range. Our strength is the diversity of our valve range held in stock and our ability to source a valve that is not."

As Valve World witnessed, Transmark International also benefits from its own machine modification shop in Bradford. This means modifications can be performed in-house whilst valves and actuators can be coupled to create complete flow control systems. This saves the client the time and inconvenience of sourcing components separately. Mr Heaton adds that most Transmark operating companies benefit from similar modification and testing facilities.

Whilst the enormous master stocks at Bradford are definitely the jewel in Transmark's crown, Mr Heaton notes that stocks targeting local industries are kept by each of the operating companies. Additional master stocks are kept in the Netherlands and in Singapore, which services Thailand and



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Clockwise, from top left: Simon Heaton, CEO Transmark International Group; George Lim, Managing Director of Transmark Asia; Neil Wagstaff, Managing Director of Transmark Heaton Valves Ltd, UK; Hugh Brown, CFO Transmark International Group.

Australia. There is still room for improvement though. "As we supply 80% of the refineries in the UK that justifies keeping a very large stock indeed here at Bradford. But we're continually looking at the logistics of our world-wide operations. One idea for example is to focus on the master stocks, where we can concentrate the "slow movers", and maintain only satellite stocks in other locations."

As Mr Heaton notes, it is important for a distributor to maintain a well-balanced stock as this gives confidence to clients. Also important is providing efficient ordering options. Mr Heaton: "For clients with simple repeat orders, or in cases where there may be time or language issues, we have installed an EDI system. Customers with more detailed queries, however, can turn to our sales desk which are manned by sales engineers, not salesmen. The sales department can draw on extensive resources such as catalogues, documentation, data books and technical drawings to advise clients on how to solve their flow control problems. We are not just a man in a garage buying and selling valves."

Transmark International can also offer pro-

urement services. "Even major players like Shell and BP have started to close their own purchasing departments. For such clients we add buyout clauses in our framework contracts for non-standard valves. If they need a valve which we do not stock we will obtain two or three bids and evaluate them on both technical and commercial basis. The client can then simply tell us which valve he prefers and we can conclude the deal for him."

From MRO to projects

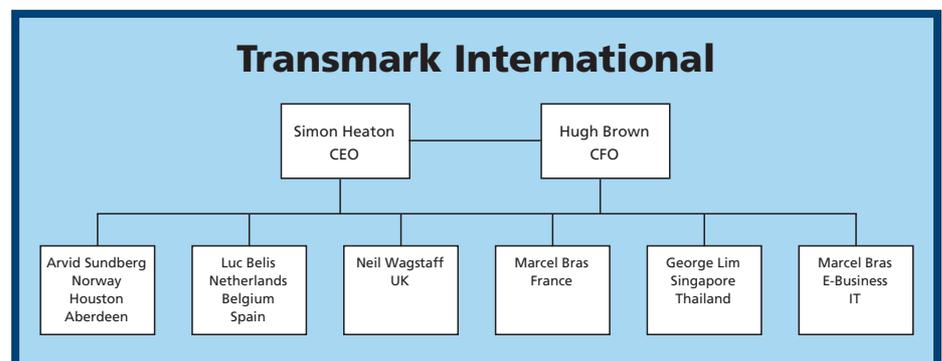
Historically, the UK side of Transmark International has always been strong in the MRO sector. Mr Heaton: "The strategy at Heaton Valves was to focus on MRO agree-

ments. Valves are stocked, priced up, ordered electronically and delivered promptly. We keep the business simple in the interests of the customer."

One step up from these MRO agreements are the site agreements, whereby Transmark International has developed existing contracts to encompass all the valves that may be required on a particular site. "Over the past few years, refineries that used to have may be two hundred suppliers providing all the products in the plants have narrowed that list down to say twenty. Their aim is to get down to a handful or even a single valve supplier. This process is driven to attain cost efficiencies."

Transmark has also been at the forefront of the trend towards European or even global agreements, with deals concluded with the likes of Shell, BP and DSM. Mr Heaton: "Often, the success of our site agreements prompts the user to take the agreement a step further. The client has seen the financial benefits that can accrue from dealing with a single source and seen evidence of our track record as a reliable partner. Often that's all the encouragement that is needed to extend the concept. Developing existing agreements has always been the philosophy at Heaton Valves and now Transmark International is planning to mirror this strategy to the rest of the group. Some of our operating companies tended to rely too much on the volatile project market. Whenever there was a slump in projects they were quickly exposed. Creating long-term MRO agreements provides essential financial security."

Mr Heaton stresses, however, that the focus on agreements does not imply that Transmark International is no longer interested in projects. "Projects can be very rewarding provided they are properly selected and handled. What we do not want to do is get involved in projects which you know will be decided on price alone. We



will definitely continue to serve projects initiated by our MRO clients who hopefully will continue automatically to place valve orders for their projects under the terms of the already pre-agreed contract terms. That avoids the end users having to ask the engineering contractors to renegotiate valve prices hence saving the cost that results from their involvement.”

Service is of the essence

To ensure the high services required in the petrochemical and oil & gas industry, Transmark International has recently started to monitor Key Performance Indicators. Service levels are measured on a regular basis as is the quality of documentation and the rejection rate. “Some information is only useful for our own internal processes but other data is reported back to the client,” says Mr Heaton. “A couple of years back, our service levels went down to unacceptable levels. We had late deliveries, poor stock management and weren’t putting timely orders through to our own suppliers. This could have been a recipe for disaster in

an industry where service is essential. Fortunately we have turned things round, and are reaching service levels for on-time delivery of up to 95%.”

Mr Heaton is confident that the “new” Transmark International now has all the ingredients to continue its revival. “We have been around a long time and can draw on our vast experience, good management and excellent employees which is very important. Our supplier base is sound and we continue to focus on reputable, approved brands.” Developing additional major European and global contracts is a key part of the Transmark strategy. This goes hand in hand with Mr Heaton’s ambition of further growing the company. Exactly how that will be achieved is obviously a sensitive issue, although Mr Heaton did give a few insights into possible options. “Starting greenfield sites such as the one we had in the Middle East is not an option in the future. There is potential for some good acquisitions that will add to value to the group. We continue to target companies with market share, an attractive product portfolio and with good

FACTS & FIGURES

Name:	Transmark International
Key activity:	Distributor of on/off valves
Headquarters:	Bradford, UK
Operating companies:	The Netherlands, UK, Belgium, France, Spain, Norway, Singapore and Australia.
Portfolio:	Gate, globe, check, ball and butterfly valves
Principal markets:	Oil & gas, petrochemical and pharmaceutical industries.



Transmark International's new headquarters in Bradford, UK.



Of all the MRO business Transmark International is involved with, no less than 80% is delivered from stock. The company can supply gate, globe, check ball and butterfly valves off the shelf, as well as a variety of actuators. Stocks at the Bradford headquarters are simply huge!

management. For example, there is still a gap on the map in Germany. In fact, we have already been approached by a couple of major oil companies with a request to service them in Central Europe too. That is definitely an area we are looking into.”

Concluding our interview, Mr Heaton stresses that Transmark International is very responsive to the needs of its customers. “Wherever they are active, that is where we plan to be. It is important to change with the times. For instance, we have recently started asking ourselves: should we not be supplying the whole package instead of just valves? This approach is being used successfully in the States, for example. In fact, we are already running a trial project at a Texaco refinery out in South Wales. They’re located in such a remote area that it’s a sensible option for us to supply them with commodity items such as nuts, bolts, pipe, flanges, fittings and protective equipment alongside the valves. Whilst we have no immediate plans to widen the scope of this concept it is an issue we will continue to track and discuss with our clients. Our main thrust right now is to be an active partner, conclude more MRO agreements and develop a base in new countries.” ■