Focus of this Presentation

Industrial Market Place
Industrial and Military Hose Focus

NSN – 4720 and 4730
An Industrial “HOSER”

I am often referred to as a “HOSER”
Hose -- The Flexible Connection

Where do you see Industrial Hose?

Industrial Applications
- Air
- Water
- Steam
- Chemical
- Materials
- Petroleum
- Food
- Beverage -- Coke

Military Applications
- Petroleum
- Air
- Water - Drinking
- Steam – Ship to shore
- Hydraulic
- Metal hoses
Industry Updates and Agenda

• State of the Industry
  • Present Trends
  • Impact on DLA
• What actions can the DLA take to improve its ability to service our Warfighters?
• If there is time
  • Present Channel Strategy and Organization –
    • Manufacturer / Distributor
      • Value and Role of a Distributor
    • Value of Trade Organizations Like Nahad
A Changing Industry

• Common words in the Industry Today
  – Merger
  – Acquisition
  – Consolidation
  – Global Footprint
Merger / Acquisition

• Manufacturer
  – Consolidation through Acquisition

• Common Actions taking place
  – Transition
  – Synergy Objectives
  – Rationalizations
    • Plants
    • Product Lines
M & A – Impact On DLA

• Favorable
  – Broader Product line offering
  – Cost efficiencies gained through consolidations

• Concerns
  – Product Rationalization
  – Long Term Value of Military opportunities
  – Lesser number of small business suppliers
M & A – Distribution Activities

• Private Distributions Ownership Aging –
  – Looking and Seeking an exit strategy
• New ownership types
  – Publicly Traded Companies
  – Much Larger Private Owner
  – Large Equity Groups
• Note: Being a small business supplier to DLA impacts company valuation models by non small business concerns looking to acquire.
Distribution M & A Impact on DLA

• Favorable
  – Larger Distributors’ Buying Power
    • More competitive pricing
  – Larger product line offering

• Concerns
  – Less Small Businesses available
  – Product Line Rationalization
  – Profit focus making DLA business less attractive
DLA Opportunities

• Commercialization
  – Review of all products purchased today
  – Compare to present day commercial products available
  – Reduce and seek alternative branding requirements

• Making it Easy to Do Business
  – Review of present bid process
  – Review and shortening of Far Clauses
• Reduce custom products –
  Use Industry standard catalog merchandise!
  Rationalize and update old specifications

• Favorable impact!
  – Reduced Lead times – Distributors have stock!
  – Reduced Inventory Levels at Centers
  – Reduced space requirements
  – Quick reaction to emergency requirements
  – Greater number of companies interested in quoting
  – Standard products are produced in Volumes that will lead to more competitive pricing
  – Greater opportunity and willingness for LTC’s
Conclusion
The Common Channel

- Manufacturer

- Distributor - Fabricator

  User
Present Day Hose Manufacture Channel Strategy

• **Role of the Manufacturer**
  • Produce and supply quality products that exceed market needs
  • Continued introduction of new products and advanced technology
  • Provide Market data, product, application and sales training
  • Provide all necessary sales tools

• **Role of the Distributor**
  • Be the conduit to the end user
  • Stock necessary product to service the local market
    • Both OEM and End User
  • Provide market required service needs
    • Proper hose recommendations
    • Proper hose assembly
    • Require service
Present Day Channel Strategy

• Hose – Hydraulic and Industrial
  – Authorized Channel Distributors
    • Service local markets
  – OEM’s Do Manufacturers ever sell direct?
    • At times the largest OEM’s are serviced on a direct basis
  – End Users / MRO Market
    • Serviced through Distribution
The Value of a Distributor

• Local Service – Meeting immediate needs
• Local Stock
• Local Knowledge – Product & Application
• Proper Hose Assembly

*Imagine if you had to deal with an Auto Factory to get service!*
Value of NAHAD

• Helping Raise the Bar of Excellence
• Membership
  – All reputable Manufacturers
  – All reputable Distributors
• Outcome – Developed by Membership
  – Hose Safety Institute!
  – Training and Education Tools
  – Hose Assembly Guidelines
• Membership Commitment!
Summary and Conclusion

• Value of Partnership
  – Manufacturer and Distributor

• Value of the Trade Organization

• Industry Trends
  – M & A – both Manufacturer and Distributor

• DLA Impact -- Concerning

• DLA Suggestions
  – Product review with goal to commercialize
Conclusion