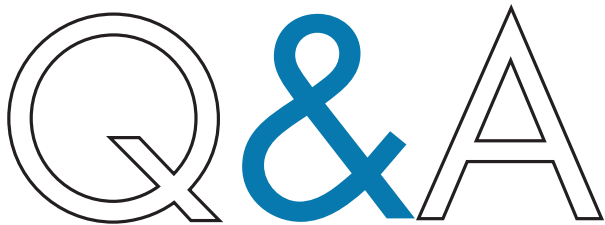


Delany Products: Setting Sights High



with Scott Delany, VP & CFO, Delany Products

In this continuing uncertain economy, spec'ing the right product for the job is imperative. The company behind the product is just as important. Delany Products is one such company that takes pride in producing hand-crafted valves and is second to none in quality, service, dependability and delivery.

Coyne & Delany Company was born in Brooklyn, New York. In 1879, John J. Delany decided to risk the job security of being a horse-drawn streetcar driver to, along with his partner, Thomas Coyne, found a company that manufactured plumbing products. In those days, plumbing products were copper-lined wooden bathtubs and wooden overhead tanks for water closets. By the early 1900s, a wide variety of plumbing products were being produced, among which were cast iron bathtubs, brass plumber's trim, wooden flush tanks and fittings and ballcocks.

By the 1900s, the product line had expanded to the point where Tom Coyne and John Delany were starting to see the fruits of their labor, with their salaries rising to \$25 per week. Then, in 1910, Tom Coyne died suddenly. The Coyne family had no male heirs and sold their interest in the business shortly afterwards. In 1928, the company designed its first diaphragm operating flush valve, the Flushboy, considered to be the simplest (and thus most reliable) design for direct pressure flushing.

Like the nation, the company suffered through the Great Depression. During this time, and leading up to World War II, many design improvements and Delany patents refined their basic diaphragm flush valve to the point that it required only six moving parts. The copper-lined bathtubs and other product lines were replaced by the flush valve line. At this time, Coyne & Delany was a leading manufacturer in the mid-Atlantic and Northeastern states. World War II brought such huge demand for flush valves that, by the end of the war, the company was no longer just a regional supplier but a national manufacturer, specializing in diaphragm flush valves.

In 1969, Coyne & Delany moved from its home on Kent Avenue in Brooklyn to Charlottesville, Virginia, where they purchased seven acres of land and built an expanded state-of-the-art manufacturing plant. At this time, the transition to the company's fourth generation of family ownership and leadership was underway. In 1979, the company celebrated its 100th year in operation, a huge accomplishment shared by only a few other American companies.

In the 1990s, as globalization began changing the world economy, competitors began importing cheaper products

from overseas. These firms changed the commercial plumbing landscape forever, often by grabbing market share via discount price strategies, not based upon quality. These imported products posed a significant threat to smaller family owned U.S.-based manufacturers such as Delany.

As these changes were occurring, the old Coyne & Delany struggled to adapt. The run-up in copper prices in the mid-2000s provided the final tipping point. As other firms absorbed the commodity price increases, the small, family-run Delany saw slim margins erode into losses. The culmination of this was probably the darkest day in company history, when it was forced to close its foundry in November 2007 and lay off two-thirds of its workforce.

As the company limped along in 2008, a rebuilding plan was underway. Rebirth began in 2009 following a restructuring in the early part of that year, which resulted in the company cutting to the bone. Another 40% of staff was laid off and management took pay cuts. During this time the company transitioned itself to a lean efficient model that was focused on R&D, marketing and distribution, while 100% of assembly and 100% of product testing were performed in Charlottesville. The company also took on its first ever financial officer.

In the fourth quarter of 2009, the company unveiled its new name and logo, Delany Products, providing a clean simplified image of "Changing for the Better." By that time, the implementation of a new state-of-the-art CRM system was already underway, and the company began to hire back employees. An advisory board was set up to instill proper corporate governance and a first-ever representative advisory board was formed in order to get better feedback from the market. In 2010, the focus was on timely deliveries, in order to rebuild faith in the company. After successive years of losses, Delany turned a profit in 2010 and, with new products coming in 2011, the future is brighter than ever.

Recently, *Plumbing Engineer* caught up with Scott Delany, vice president and chief financial officer for Delany Products. The following is an excerpt of that Q&A:

How did you get involved in the industry?

Delany: Honestly, I have never been in the industry. I never worked for the company and have been living and working in Japan since 1997. My career took a very different path from my brothers. I am now drawing on this vast wealth of experiences to help the team today.

I started on the floor of the American Stock Exchange

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before becoming an original member of a global brokerage firm called TIR in 1987. We built TIR from scratch and sold ourselves for \$125 million to E*Trade. Along the way, I moved to TIR/E*Trade's Tokyo office to run the trading desk there. From there, I left to establish a real estate investment fund, investing and running small to medium sized hotels throughout Japan. During this time, I was not aware of the magnitude of the company's downturn. I first became aware of the problems in 2008 and began consulting from Japan at night. By the end of that year, I saw the opportunity to return and help turn this sleeping giant around.

Explain your involvement in the company.

Delany: I work every day to implement and live our motto of "Changing for the Better." I have taken full responsibility for the company's finances, making sure that we have the capital necessary to expand and that we are focused on profitability first. I am also involved in both our short term and long term strategic planning — planning for the next markets, the next products and systems and the coming market trends.

What are your initiatives for the company? (What business philosophies of yours are instilled in the company?)

Delany: I believe that a company is like a shark. A shark cannot breathe on its own; it needs to always be moving forward in order to have water move through its gills. A company is the same; if it is not moving forward, then it's dying. I also feel strongly in the importance of being No. 1. People don't have a lot of time and don't want to take risk. Thus they naturally favor the No. 1 player in any given market. We are looking up at our competitors at the moment, but striving to be No. 1 will always be our primary goal. Our initiatives this year remain centered around building a solid foundation for delivering the highest quality products on time at a fair price and for introducing innovative new products. By the end of the year, we are looking to introduce a new product that will provide a major shakeup to our product lineup. It will have features not seen by the competitors, as well as other features that are new to Delany, making it far easier for engineers to specify our valves. In addition, this year we will begin offering 3D Revit files for a number of our products in order to make it easier for engineers and architects to work with Delany Products valves.

Can you explain the process and the importance of getting product to customers in a timely fashion?

Delany: For every manufacturer, timely delivery is important. For the new Delany Products, it is crucial. From 2007 through most of 2009, the old Coyne & Delany let down its customers with delivery times that were, well, unacceptable, to say the least. Since our return, timely delivery has been our focus, and I am proud of what my brother Peter, our head of manufacturing, has achieved in this respect. We are not quite where we want to be but have come a long way and are moving in the right direction. As we told all of our agency representatives at our first-ever national sales meeting at this past year's ASPE convention, as of Sept 30, 2010, the average delivery time across all items was 9.8 days.

How can engineers/builders benefit from spec'ing your product — through quality, innovation, on-time shipping, customer service and satisfaction?

Delany: Engineers and builders can feel confident in specifying any Delany Products item, due to our focus on simplicity and dependability. Our 130-plus years in existence and 80 years of focus on the flush valve speak loudly and clearly to these points. The quality of our product is the highest in the industry, from the DZR alloy we use to the precision machining of every flush valve. A drop of water in their valve is our customer's assurance that each and every valve has been water tested before it leaves our Charlottesville, Va., facility, a claim that no other competitor can make. In addition, our offering of 3D Revit files will make it easier for both the engineer and the builder to quickly and accurately make adjustments to designs while seeing all the knock-on effects of their changes to products like ours in their design, saving them time, money and headaches.

Are Delany Products certified through a third-party certification process? Explain the process.

Delany: The new Delany Products has built a relationship with Canada's CSA International, a leading provider of product testing and certification services. Products are tested for compliance to international and United States standards, and qualified products are issued certification marks. The CSA mark is a sign of confidence for millions of people globally. Currently, two of Delany's mainstay products have been given certification. As for the process, I will answer this from the perspective of a new product. All of our new products go through a rugged internal approval process. This starts in the lab, where we torture test a new product with at least 150,000 flushes and detailed documentation along the way. After making a production prototype, we field test in several locations for weeks at a time. Once this is done, and we are satisfied, we send that product to the CSA for their approval, which should be a formality at that point.

What are the top three obstacles your company faces(d)? How do (did) you overcome those challenges?

Delany: The three largest hurdles that we have faced as a company were our outdated systems, poor corporate communication and broken trust. From a system standpoint, we have gone through a painful transition, beginning in 2009 and through most of 2010, to our new state-of-the-art PC-based CRM system. For 2011, we are already in the process of upgrading to the next level of the software as well as adding a new inventory feature to it.

In terms of our corporate communication, we are streamlining our corporate message under the single name of Delany Products. Prior to 2009, the company was using several names at the same time: Coyne & Delany, Delany Flush Valves, Delany, and Delany Products. It was even maintaining two completely separate web sites. Today it is just the one name, Delany Products, streamlined, simple and delivering one message.

Our greatest hurdle to overcome was rebuilding the trust of our customers. Being unable to deliver complete valves for nearly two years took a toll on our valued customers' belief in us. Thus the reason for our concentration on time-

ly deliveries and my subsequent pride in the results that Peter has been able to obtain in getting our average time down to under 10 days. This has gone a long way toward rebuilding our customer's trust. But, we know that we are nowhere near where we want or need to be. There are several items that still have unacceptable delivery times, but, one by one, we will tackle all of these issues. This brings us back full circle to our new systems, which will be a key tool towards our achieving additional improvements.

How does (did) the economy affect your business?

Delany: With the falloff in new construction, our sector of the economy has been hit particularly hard. In some ways, though, this has been fortuitous for us as we have been able to use these slower times to restructure and reorganize, preparing ourselves for the time when demand returns. Our return to profitability during such a difficult time is also a testament to our loyal customers and to the changes that we have been able to make to date.

Do you deal entirely with wholesalers? Describe the importance of the wholesaler/manufacturer relationship.

Delany: Yes we deal entirely with wholesalers. The wholesaler/manufacturer relationship is an important one, as the wholesaler is a key piece of the puzzle for us, the manufacturers, to get our products through the supply chain to the

end user. It is with the wholesaler that timely deliveries are of the utmost importance. If we cannot provide dependable support for the wholesaler then they cannot build confidence in their customer that they can get our product on time.

Any new products (updates), service offerings, incentives, etc.?

Delany: We are still strengthening our core, working on continuing to reduce production costs and delivery times. Our aim is to introduce several new products in the latter half of this year. One such product will be the Titan, which will be a major departure for the company in both its look and feel. It will have the features that Delany is known for and yet there will be changes that will excite the engineer. It will have quality and other elements that will simplify life for the wholesaler, and it will be easy for the contractor to work with and install. In addition to the Titan, the Impulse, the market's first ever hands-free, battery-operated flush valve, will evolve into an improved and more user friendly version, to be called the Pulsar.

Describe Delany's presence globally.

Delany: Delany has been traditionally strong in Canada, South America and the Caribbean. We are looking to strengthen relationships in Asia with new product offerings and to begin expanding into select markets there. ■