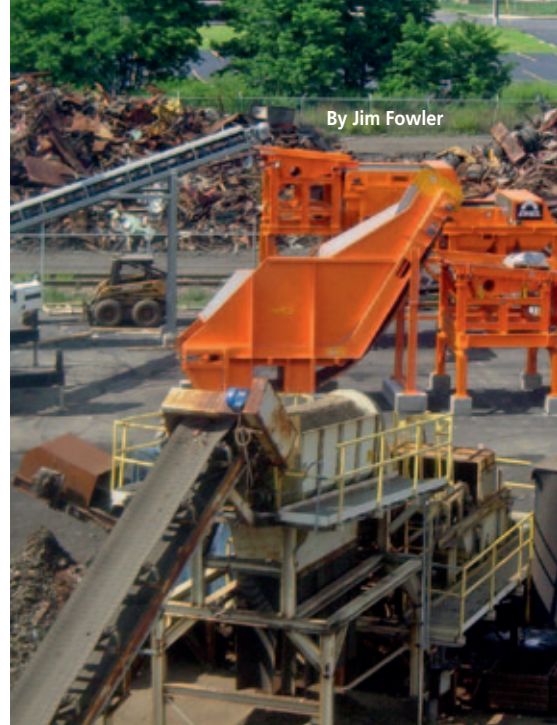


Scrap – the brightest star in the Eriez sales firmament



For the world in general, the last two years have been characterised by economic problems and market volatility. But this is starkly contrasted by experience at Eriez Magnetics where sales of equipment into the recycling industry, for example, have sky-rocketed in many of its key markets. Indeed, the company has been adding manufacturing floor space in order to keep pace with customer demand for its existing - and emerging - products.

Eriez is experiencing phenomenal growth. With sales in the hundreds of millions of US dollars, 20% of which are in the scrap industry, the company has been internationally oriented since its founding 70 years ago in Erie, Pennsylvania, USA. The company has product lines in 12 industries and grew more than 40% in 2011. Sales of scrap-related products are ‘the stars of our sales volume’, according to Tim Shuttleworth, the company’s President and CEO. ‘Over the two-year period of 2010 and 2011, our UK volume grew 90%-plus - it nearly doubled - and the USA grew by 80%-plus. These are our two largest markets for scrap products.’ He estimates that sales growth in Japan and China is similar or better, and concludes: ‘We are safely doubling our global scrap recycling sales every two to three years.’ Some 60% of Eriez’s scrap-related sales are in the USA; for the company as a whole, it is just the opposite - 40% USA and 60% international. ‘We have a uniform outlook,’ says Mr Shuttleworth. ‘The world’s our market and we just attack it all.’ Mining and metals is the largest market segment accounting for 30-40% of the company’s total sales.

Strategy to dominate

Eriez’s downstream ferrous systems for shredders are the most popular products in the scrap industry today, according to Mr Shuttleworth. ‘Right now, I think our ferrous separation technology is the best on the market and is getting the best sales traction,’ he says.

Tim Shuttleworth:

‘We’re dealing with a lot of colourful people in the scrap industry.’



Tim Shuttleworth, Eriez’ President and CEO.



In late 2011, Darrell Milton was named Marketing Manager Metals Recycling.

‘On the non-ferrous side, we’re selling eddy currents quite well and we have a strategy to dominate that market - and in a few years, I think we will.’

Mr Shuttleworth says the company’s growth in recycling is due in part to ‘having a lot of new products, which allows Eriez to sell more’. He cites the Shred1 Ballistic Separator and says its sales have taken off. ‘It has had the fastest product acceptance by the marketplace that we’ve seen in 10 years,’ he exclaims. ‘It was introduced at the ISRI (US Institute of Scrap Recycling Industries) 2011 Convention and nine units have been sold - three are operating, more will be commissioned in the spring and more are in the manufacturing process.’

According to Mr Shuttleworth, ‘Shred1 uses ballistics to separate ferrous from much of the mixed metals and waste material in the post-drum magnet flow and delivers three distinct fractions: a premium, low-copper ferrous product; a traditional No 2 shred; and a heavy/light/waste mix.’ Eriez is now introducing its Clean-Stream process (see sidebar), a technology that incorporates the Shred1 Separator combined with the PE-Rex drum magnet.

Adding more capacity

As a result of this growth, lead times became a problem. Mr Shuttleworth notes: ‘We’ve been growing so quickly, it’s been an effort to satisfy customers.’ To meet the challenge of capacity, Eriez added 50% more manufacturing floor space around the world in 2011 and 100% more capability at the company’s Erie headquarters.’ Mr Shuttleworth estimates that Eriez has 20 to 25% of the US scrap/recycling market, which



leads him to recognise: 'We have a lot of growth potential.' He sees the company's international market share as being less because it's a more crowded marketplace. 'Europe, for example, is more competitive than the USA as far as the number of companies making magnets and eddy currents - there are double or triple as many companies making those products,' he explains. He also finds the US and international marketplace to be 'very competitive on price and performance'. He adds: 'There are few customers who buy blindly on brand. The smaller companies are spending their own money so they're always alert, and the big companies are just more sophisticated in their purchasing.'

Eriez began its introduction of new technologies with the ProSort Airless Metal Recovery System and FinesSort Fines Metal Recovery System in 2006. These were followed by the RevX-E Eccentric Eddy Current Separator and then the ProSort II Inverted Paddle Metal Sorter. The DensitySort, an air table that produces a Twitch product, and P-Rex, a high-powered scrap drum separator, were introduced at ISRI's 2010 Convention. Next came the Shred1 Ballistic Separator and the Clean-Stream process. (Comprehensive descriptions of Eriez's scrap/recycling products can be found on its website: www.eriez.com)

'Poker' problems

Where do these new product ideas come from? 'We're a hands-on, engaged company in the marketplace,' Mr Shuttleworth explains. 'I'm out in the marketplace. We have several PhDs in the research and development department who are not confined to an ivory tower. They

spend most of their time in hard hats and steel-toed shoes in scrap plants listening to what customers need.'

At this year's ISRI Convention, Eriez is introducing the PokerSort. 'Long, narrow objects such as a tail pipe, axle or tie rod sometimes go right through the shredder hammers and are not size-reduced,' Mr Shuttleworth explains. 'The "pokkers" can be from two to as much as five feet long. They jam up conveyors, foul transfer chutes and tear holes in belts. We heard from the market that operators were fed up with this, so we said "Let's build a better mousetrap".'

The available poker rejecters are passive, with no active role. 'Our philosophy is you can't buy enough magnets and if you can do it with a magnet, why would you do it any other way,' he says. 'So we created a magnetic poker ejector that's in final field trials and the customer is happy with it.' That development, says Mr Shuttleworth, 'comes from being in the market - hearing a customer say "These pokkers are shutting us down for an hour a day, damaging our equipment, and are dangerous to our employees". We just listen and then work to find a solution.'

In 2012, Eriez has budgeted US\$ 2.3 million for research and development. Of that, US\$ 1 million will be devoted to scrap. Mr Shuttleworth notes that 'scrap products have gotten more than their share of research and development money the last few years because Eriez has been modernising its products.'

China - a growth market

'We're very serious about growing our market share in recycling and that's why we've made a



Eriez' eddy current separator in action.

big investment,' the Eriez CEO says. Acknowledging that he's boasting, Mr Shuttleworth says: 'Eriez has been the most innovative company in the marketplace in the last few years. It was really pretty easy pickings to improve things and be innovative because the market, including Eriez Magnetics, had been delinquent in making product improvements for the scrap industry. We were all selling stuff that was 20 years old. It's a sad commentary and we were part of it. But we wanted to increase our market share and thought the way to do that was to come up with new products that got better results for the same or less investment.' Mr Shuttleworth thinks the hottest markets for Eriez scrap products today are the USA and Europe. 'China has the potential to be the coming hot market,' he predicts. 'That country is our second-largest overseas operation with 220 employees between three locations for all of our product lines. They haven't bought a lot in the recycling area, but China is exciting because it has the potential to be a big market for us.'

Growth has resulted in some reorganisation, says Mr Shuttleworth, who has been with Eriez for 18 years - the last eight as President and CEO. In late 2011, Darrell Milton was named Marketing Manager Metals Recycling, a new position.

Overall, Eriez has nearly 1000 employees of which 330 are in the USA. Mr Shuttleworth points out that two-thirds of the company's employees and sales volume are outside of the USA.

In addition to America, Eriez has manufacturing facilities in Australia, Brazil, Canada, China, Europe, India, Japan, Mexico and South Africa. Equipment for the scrap industry is manufactured in the USA, Europe, Japan and Australia.

Positive outlook

Mr Shuttleworth projects a positive outlook for 2012. He says: 'We're budgeting a 14% increase overall and a much higher percentage increase in recycling. That's not just based on market growth; we have a lot of new products that allow us to sell more.'

And he concludes: 'We're having fun. We're dealing with a lot of colourful people in the scrap industry. They are in a very competitive business and if we're not competitive and not helping them be more competitive, we're not in the game. We plan to be in the game.' □