PLASTICSNEWS.com®

Deceuninck endures downturn, prepares new PVC decking

By Bill Bregar
January 4, 2011
PLASTICS NEWS STAFF

This month, Deceuninck will introduce its Solstice line of cellular PVC decking with a coextruded capstock. (Deceuninck North America LLC)

MONROE, OHIO (Dec. 4, 11:20 a.m. ET) — Deceuninck North America LLC took steps to endure the collapsing U.S. home construction industry — laying off several hundred employees and closing two plants and a distribution center, to consolidate all window and decking extrusion into its main plant here.

Through it all, Deceuninck leaders maintained an integrated strategy of product innovation, material science, expertise in tooling and extrusion and partnering with customers. A solid core of veteran management and supervisors, many with 20-plus years at the company, also kept the business strong, said President and CEO Mark Parrish.

"By maintaining focus on our strategy, our intent was not merely to survive, but rather thrive in the aftermath of the recession," he said.

Parrish and other company officials discussed the outlook for construction, how the push for energy-efficient home improvements helps vinyl windows, the trend linking extruders and fabricators, and other topics during a late-August interview at the firm's headquarters in Monroe.

Sixty extrusion lines run in the 550,000-square-foot factory, halfway between Cincinnati and Dayton along Interstate 75. That makes Deceuninck one of the largest vinyl window extruders under one roof in the United States.

Parrish is bullish on vinyl windows as a highly technical, precision product. "It truly is a science, with the combined sciences of thermodynamics and fluid dynamics," he said. "We bring the strength and we bring the thermal properties, and that can't be done with anything else."

Deceuninck does its own compounding and makes its own extrusion dies, calibration equipment, fixtures and vacuum sizing equipment. The tooling and compounding departments work closely with a materials science laboratory and the research and development team. Two extrusion lines are dedicated to R&D.

Deceuninck North America is part of Deceuninck NV, a $700 million international building products firm in Hooglede, Belgium.

The interview took place as dire headlines spelled out what construction product makers know all too well: The U.S. housing industry has been beaten down. In July, sales of newly built homes plummeted to the lowest level since 1963. Sales of existing single-family homes fell to the lowest rate in 15 years.

Parrish said the housing sector started declining in 2006, before the Great Recession officially began. And the entire construction sector, including windows, already had too much capacity, he said.

“We were making, as a window industry, enough windows to support nearly 2.4 million new homes on an annualized basis in October of 2005. There was immense excess capacity in the industry, machine capacity,” he said. And housing start numbers kept going down. This summer, starts ran at an annual rate of about 600,000.

Windows suffered along with it. Total shipments of prime windows plunged by 45 percent from 2005-09 — the vinyl window segment dropped 37 percent during that period — said a report issued by the American Architectural Manufacturers Association in Schaumburg, Ill., and the Window & Door Manufacturers Association in Washington.

Parrish said building product makers have suffered a double whammy. In past recessions, when new-home construction declined, remodeling and replacement (termed R&R) took up the slack. Homeowners put money into their castles. But now, falling home prices have turned the idea of the home as an investment on its head, so remodeling is hurting, too.

Deceuninck North America generated sales of $77 million in 2009, down about 20 percent from the year before. But the operation rebounded in 2010, to grow by 14 percent through the first three quarters, according to information released by publicly traded Deceuninck NV. Year-end numbers were not available.

Demand from remodeling strengthened, although business was hit by the expiration of the federal tax credits for home buyers in April.

Parrish thinks the housing meltdown is over, and doesn’t see a double-dip recession on the horizon. He thinks housing will begin to recover, slowly, starting in the spring. But right now, the economy is still sending mixed signals, he said. “My belief is that in the course of the next year, we will likely see a slowly expanding economy,” he said.

The year ended with some bright spots. The federal government reported that third-quarter gross domestic product increased at a 2.5 percent annual rate, a faster pace than originally expected. Retailers reported solid Christmas spending.

Owning a home is tightly linked to the American dream. Parrish said that’s one reason why the industry is so important to the overall economy — and the psyche of consumer confidence. “When you follow the housing industry, you’re really looking at a crystal ball of the American economy,” he said.

Acquisition, consolidation

Parrish said that having a global parent was “remarkably beneficial” during the U.S. housing downturn. Stronger business in one part of the world can even out bumps in another. And that was the reason Deceuninck NV entered the North American market 15 years ago. Facing what one Belgian executive called a “continuous battle” with German window extruders for Western Europe, the company entered what was a growing U.S. market.

Deceuninck started out small in 1995 by picking up Acro Extrusion Corp. in Wilmington, Del. Two years later, the Belgian company bought the much larger Dayton Technologies from Aluminum Co. of America and acquired the new factory in Monroe, with 30 extrusion lines and a compounding and blending operation

Meanwhile, one of those German competitors, Thyssen Polymer GmbH had the same idea. In 1995 — less than a month after the Belgians bought Acro Extrusion — Thyssen crossed the Atlantic to grab Vinyl Building Products Inc. of Oakland, N.J. Then came a landmark move in 2003. Deceuninck purchased Thyssen Polymer. That brought to Deceuninck window profile factories in Oakland and Little Rock, Ark. Deceuninck closed the Acro plant in 2004 and moved its extrusion lines to other locations.

As the construction market deteriorated, Deceuninck officials decided to close plants, starting in 2007 when they shut down Oakland and a nearby distribution center in Pompton Plains, N.J. Finally, the firm closed the Little Rock plant in 2009.

Everything — extrusion and distribution — got moved to Monroe. The firm had expanded the plant several times, so it was large enough to accommodate the relocated equipment.

Having everything under one roof makes Deceuninck North America more efficient, flexible and adaptable; for example, having a single toolroom and customer service department, instead of duplicating those functions at each plant. Employees can move quickly to make changes. Freight is more expensive, but he said the firm has started shipping by rail.

Cutting back on production, and closing the plants, led to a series of layoffs. “It was personal. It was emotional. It was the worst part of my job,” he said.

Employment peaked at 800 in 2005. By early 2009, it had dipped below 300. That number has increased to about 400 today.

How you conduct layoffs is important, said Charlene Miller, executive vice president of human resources. “We really took a lot of time. We looked them all in the eyes, we told them what was going on, that we have a schedule. We told them when we were going to be shutting down. No matter what level of the organization, we gave everyone severance and we brought in an outplacement firm,” she said.

Parrish said they treated people with dignity. “There’s no stronger retention tool in a shrinking marketplace than how you conduct a layoff. People watch to see how the company conducts itself. And so the people who stay here, stay here with pride. So is it possible to build morale in a shrinking company and economy? The answer’s yes,” he said.

Vertical integration

Deceuninck is a traditional window profile extruder, one that sells the lineals to fabricators. The fabricators produce finished windows. That bucks the trend of fabricators doing their own extrusion.

Parrish said the company has no intention of competing with its customers. “We’re not going downstream. We’re not going to build windows,” he said.

A sampling of vertical-integration moves shows both acquisitions and internal expansion: CertainTeed Corp. bought several of its fabricators in the late 1990s. Atrium Cos. Inc. bought Canadian vinyl profile extruder North Star Vinyl Windows & Doors in 2007, and now runs three extrusion plants. A fabricator, MGM Industries of Hendersonville, Tenn., began extruding its own lineals in 1999, and Simonton Building Products Inc. added extrusion the following year.

Consolidation in the building products industry hit Deceuninck North America in 2006, when Ply Gem Industries Inc. bought Alcoa Home Exteriors. Deceuninck had been extruding Alcoa’s Oasis brand of wood-plastic composite deck board, and the company had invested in additional extrusion lines.

But Ply Gem discontinued Oasis. Rather than abandon the category, Deceuninck relaunched its own Kodiak brand of decking and railing products, made from composites and PVC. It compounds the wood-plastic material and pelletizes it, in-house.

In January, Deceuninck will introduce its Solstice line of cellular PVC decking with a coextruded

capstock.

Although profile extruders do lose high-volume business to vertically integrated companies, Deceuninck still supplies specialty products to them, said Phil Lester, national accounts manager. “Most if not all vertically integrated fabricators purchase from multiple extruder sources. Vertical integration has made a change in our industry. But I believe this has affected mostly the new-construction sector, more than remodeling and replacement.”

High-volume business also is impacted by big-box retailers like Home Depot and Lowe’s.

Parrish said Deceuninck’s solution to both vertical integration and the growth of mass retail continues to be emphasizing premium products, innovation and speed to market. “If we can be flexible and nimble enough, with our design, our customers can deliver those window designs faster. And our customers can still command a premium price,” he said.

Deceuninck North America holds about 160 active patents. The firm also provides business consulting services, where a fabricator brings in its customers to hear Deceuninck leaders share best practices in organizational development. “I can honestly say we are the only ones in the industry to do this,” Parrish said. “We’ve been through so much that we can teach others.”

The window extruder employs design engineers, who use computer-aided design and stereolithography to develop tooling. Expertise in extrusion tooling dies dates to 1969, when Bob Buhrman and Richard Hensley started Dayton Extruded Plastics in a tobacco barn in Farmersville, near Dayton. They had one single-screw extruder.

At the GlassBuild trade show in September, Deceuninck introduced thermal reinforcements made of PVC, developed by its materials research department. Traditional reinforcements are made of lengths of aluminum or steel, which fit inside the hollow vinyl profile to increase structural strength — but metal conducts heat and cold. Deceuninck’s new extruded reinforcements allow fabricators to reach superior window thermal ratings.

“So you get the rigidity, yet the thermal properties desired for energy efficiency,” Parrish said. “Our customer base is very hungry for this.”

Vinyl windows already score high marks for energy efficiency, so the sector got a boost from the Energy Tax Credit, part of the federal economic stimulus bill of 2009. From day one, Deceuninck customers had a window that met the energy standards, said Jon Hauberg, product R&D director.

The tax credit has expired. But President Obama has proposed a rebate program, dubbed Cash For Caulkers, to help pay for energy-saving home improvements, including replacement windows. The U.S. House of Representatives passed the bill in May, but the Senate has not acted.

Meanwhile, another government measure could dampen sales of replacement windows — the strongest vinyl category now that new construction is so weak. The Environmental Protection Agency’s Lead; Renovation, Repair and Painting program requires contractors to test for lead paint in renovation projects for homes built before 1978. An EPA-certified lead abatement specialist has to be involved.

“Our manufacturers say it adds anywhere from $30 a hole to $120 a hole,” said Lori LePera, marketing manager, referring to extra cost per window opening.

Applying science, cutting out waste

It's important for a window profile extruder to control its own compounding and develop new material formulations, Parrish said.

"Our finished products will never exceed the performance of the material that goes into them," he said. "If we're *buying* the compound that goes in, then we are constrained by the process capabilities of our supplier. Well, we want that to be us. So, much like the Colonel's recipe, we control the recipe, and then we control the production to that recipe, by going vertically upstream."

In Monroe, the compounding operation controls every aspect of the material, according to Eric Brazelton, compounding and safety manager. Incoming PVC is delivered by rail and gets checked by the materials science laboratory. Additives are weighed and blended into the resin in a high-intensity mixer. The resin then goes through large vertical blenders, each one holding 20,000 pounds, for homogeneous mixing and testing, and then it gets moved to the silos using dense-phase conveying.

Over in the materials science lab, Paul Adams is working on that Colonel's recipe. His crew runs tests on sample parts for weathering, intense sunlight and heat and cold. The lab conducted accelerated weathering to help develop the new Kodiak cellular PVC decking, said Adams, director of materials research and development.

All the departments are tied into Deceuninck North America's quality program, using Cpk values to set upper and lower process control parameters. And it extends down the shop floor, as line operators regularly check profile dimensions on optical comparators set at the end of the extrusion line.

Parrish said Deceuninck wants zero waste, with waste defined as any cost that delivers no value to the customer. It could be wasting material, wasting time or wasting money.

"The goal here is always to eliminate the variation, the waste, and stick to the process. And that's where it comes into play. If it was art, then you were either born with the talent as an artist or not. But as a scientist, you can always make improvements," Parrish said.

Entire contents copyright 2011 by Crain Communications Inc. All rights reserved.