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When his market was battered by cheap Chinese imports, Drew Greenblatt's Marlin Steel Wire went high-end

[BY WILL SWAIM]

In 1998, Drew Greenblatt purchased Marlin Steel Wire Products, a 30-year-old company with a business model that worked until, suddenly, it didn't.

You might have known Marlin only by the ubiquitous baskets it produced, those wire racks that hold bagels—onion, blueberry, egg or standard-issue plain—in your local bagelry. Business boomed until the anti-carbohydrate diet made famous by Dr. Robert Atkins emerged in the early 2000s.

As bagel sales dipped so did demand for the Baltimore-based company's wire baskets.

Things got worse when Marlin suddenly found itself in a commodity market with a shrinking customer base, competing with Chinese manufacturers who sold wire baskets for less than the price Marlin paid for steel.

“It was,” Greenblatt recalls, “a horrific place. It just all fell apart. We were floundering around getting hammered, just hemorrhaging cash. The world had changed and we were going to be extinct.”

But then—call it the great bagel-shaped circle of life, Simba—an engineer from Boeing rang. The U.S.-based aerospace giant was looking for a basket that could hold a very specific airplane part. They needed it customized. They needed it made to hyper-precise specs. And they needed it fast. But they needed just a handful.

Now, Marlin was built to supply major bagel chains that bought wire baskets “in lots of a thousand or 2,500,” Greenblatt says. On the one hand, that market was winding down. On the other, there’d be additional costs in gearing up to produce, like, four or six wire baskets just one time.
He told the Boeing engineer that what he was describing would cost a lot—maybe about twice as much as your conventional bagel basket.

The Boeing engineer “was unflappable,” Greenblatt remembers. “He was like, ‘Yeah, yeah, whatever.’”

That was Greenblatt’s miracle moment: “We’d found a market where they appreciate engineering, quality.”

A new business was born, a business Greenblatt calls “custom-engineered materials-handling containers.”

“We just morphed,” he says.

The word “just” implies that the process was simple, overnight; elsewhere in our conversation Greenblatt describes the process of reinvention as “extremely difficult,” “terrifying,” “incremental.” At one point, he even acknowledges ruefully that it was one of those transformations that you might not take on if you knew in advance how dizzying, unhinged and scary the path would be.

But this revolution unfolded slowly, over the course of several years. In that time, Marlin has invested in robots, managers, and engineers as varied as bagels—“process engineers, mechanical engineers, industrial engineers.” He describes his sales process as “engineer-to-engineer.” And Drew Greenblatt has become something of American industry’s Man of Steel.

WHAT GREENBLATT LEARNED ABOUT PRICE

Today, about 40 percent of Marlin’s super-engineered products move offshore—to 18 countries in Europe, eight countries in Central and South America, and five in Southeast Asia.

And everywhere it sells, Marlin eschews price. That’s because Marlin sells custom. Marlin sells American-made value. Marlin sells fast.

“We ignore markets that are focused primarily on price. In fact, we have exited from all commodity business, because they don’t appreciate well-paid employees making high-quality parts, or engineers coming up with really slick ideas,” Greenblatt says. “We have had seven years of record growth, each and every year, despite the recession, and I attribute a lot of that to exporting.”

“You won’t find Marlin manufacturing ‘baskets for socks in Vietnam.”

Greenblatt cites a Japanese automaker’s recent order of $100,000 worth of material-handling racks. The racks would attach to a robot that loads parts—a function that demanded a highly engineered basket. And the buyer needed them quickly.

“We used a laser made in Connecticut and steel made in Pennsylvania, and all the brains were out of Baltimore,” he says. “That combination developed something so effective that the Japanese automaker went with us. We shipped very quickly, and it worked out so well that they gave us two reorders.”

Greenblatt studiously avoids price by focusing on highly developed markets like Japan. “What moves the needle for us in a certain country is high labor rates in that country, such that we can save them time and money in terms of processing time and also the ability to reduce their scrap,” he says. “These are countries that appreciate quality. As a result, for example, we aren’t going to do so well in countries in Africa and a lot of countries in Southeast Asia.” While Marlin has some customers in higher-end factories in cheap-labor countries—telecommunications or precision sheet-metal fabrication in China, Taiwan, Singapore, New Zealand, and Australia—you won’t find the company manufacturing “baskets for socks in Vietnam.”

And don’t bother asking about the revenue that Marlin might lose because it has eliminated from its target-market list every country with low wages. “Revenue does not generate the cash that you need to invest in new equipment, to invest in employees, or to create a new marketing campaign,” he says. “Focus on profit.”

Competing on quality means buying on quality, too. And though he could inarguably find a less-expensive place to manufacture, “there was never a thought to leaving” Baltimore, in part because of the area’s “excellent port, BWI Airport, road and transit system.” Access to air, port and ground transit have helped make Marlin the company you call when you need something amazing and you need it there fast.

And when it comes to ocean, Greenblatt has mastered the art of the half container. “For example, we may have a bill of lading to Brazil. My products may take up half a container” moving out of the Port of Miami, he says, “and then the other half of the container is filled with other products also going to Brazil. But the bill of lading will read Miami.”

But Marlin isn’t primarily soliciting bids on price. “We only work with qualified companies to begin with,” Greenblatt says. “Our main requirement is that (carriers) can guarantee the safety and integrity of the products we ship. Second is how quickly it will get there because most of our customers have time elements that are involved.”

Price, he says, even for his own vendors, ranks a lowly third.

THE PROMOTER

Greenblatt is one of those guys whose enthusiasm is like a tugboat nudging an entire industry—an entire country—out to sea. He is not merely about self-promotion. Sure, his company’s website banner reads “Marlin Rising,” but also “Leading an American manufacturing renaissance.”

Such enthusiasm—and business success—may account for Greenblatt's presence on the board of the National Association of Manufacturers. He's chairman of the board of the Regional Manufacturing Institute. In 2011, the World Trade Center Institute gave him an International Business Leadership Award. He has been featured on CNN, CNBC, NPR and BBC, and in the New York Times, Washington Post, Fast Company magazine, the Wall Street Journal and The Economist. He has testified before the U.S. Senate and Congress more than half a dozen times on topics including small business, taxation, regulations that stifle small business, effects of trade policy on job growth, and techniques to grow the economy; has visited the White House on two occasions, meeting with Presidents George W. Bush and Barack Obama to discuss manufacturing and foreign trade. His plant is often a destination for national leaders, including Treasury Secretary Timothy Geithner.

In 2007, Marlin was awarded Regional Employer of the Year from Baltimore City & Baltimore County. Last year the company was named one of the Inner City 100 Fastest Growing Companies in the U.S. and hit No. 4,112 on Inc. Magazine's 5,000 fastest-growing manufacturers—its sixth appearance on the list. The company earned $4.4 million in revenue in 2011, up an astonishing 33 percent from 2008.

Inc. called Greenblatt "the Go-To Spokesman for U.S. Manufacturing."

OUTSIDE THE BOX Training means Marlin staff "know how to use technology better than our competition."

"One of the reasons he's such a great spokesman for manufacturing is that he believes in the future—he believes in the future of manufacturing," Mike Galiazzo, president of the Regional Manufacturing Institute of Maryland, told the Baltimore Sun. "He puts his money into it. Small companies ought to take note that this guy is not sitting there saying, 'Woe is me.'"

Unlike those who believe America is headed for a blissed-out, post-industrial economy, Greenblatt believes the future is with companies like his—small and mid-sized world-class manufacturers that provide good jobs and real benefits.

He underscores the point with an anecdote: When he first arrived at Marlin Steel, Greenblatt says, his was the only car in the parking lot. His employees—all of them, he says—were earning minimum wage and couldn't afford their own cars. There was no health insurance. There was little worker training. There was almost no investment in new technology.

These days, Greenblatt says, one-fifth of his workforce consists of degreed mechanical engineers, and he's hiring more. Wages for the factory floor workers (not including those engineers) range from a respectable $30,000 to a flat-out upper-middle-class $80,000 a year.

"Our people are our most important asset," Greenblatt says. "While most companies look at employees as a variable cost, we look at them as a fixed cost."

The company spends five percent of its direct labor budget on training, so that the employees are actual craftsmen. "This allows them to come up with better ideas than our competition," he continues. "In addition, they know how to use technology better than our competition."

Greenblatt even has an acronymic industrial initiative—Quality Engineered Quick, or QEQ.

"Companies need to identify what really impresses clients today," he explains. "For us, it is QEQ. We've literally trademarked the words because that's our niche: We want to have the best quality parts, the best engineered content of any company, and the ability
to ship quicker than anyone else in the world."

"We use engineering as a way to differentiate ourselves from our competition. We become an integral part of their supply chain, rather than someone they can beat up on pricing."

It wasn't always thus. Back when Greenblatt first purchased Marlin Steel—back when there was one car in the parking lot—the company used tape measures to determine quality: the tolerance for variances was measured in baskets that were held to a fairly loose standard: baskets that could hold one more or one less bagel were considered ready to ship. Now, accuracy is defined at four one-thousandths of an inch. The company hits that number while producing products 60 times faster than in the past.

The ability to meet more exacting standards is a product of engineers and new technology. While many companies have used the recession as a reason to trim capital investment, Greenblatt says Marlin pumped more than $3 million into robotics. In the last two years alone, the company's investment in technology has been over 15 percent of revenue.

"This is another way we differentiate ourselves from our competition," he continues. "We want our people to have the best tools available so that we can ship higher-quality parts with tighter tolerances. The technology also allows us to ship faster."

THE GOSPEL ACCORDING TO GREENBLATT

Everybody, Greenblatt says, should be as enthusiastic about exporting as he is.

"Our economy is limping along," he says, sounding every bit the industrial evangelist. "It should be doing much better. Businesses in the U.S. should stop being so parochial. Ninety-five percent of the world is overseas, so we should vigorously pursue exports. Whatever the Canadians do, we can do, so our goal should be at least 28 percent exports. That would end the recession. I'm not even talking about getting to German levels." He reels off the export numbers of Germany (where, he says, 40 percent of the economy is export-

oriented) and Great Britain and Canada (28 percent). “The U.S. is at a pathetic 11 percent,” he says, incredulous.

He thinks government can help. Like Marlin, Greenblatt says your company should invite elected officials to tour your facility. “In this way, the representatives can understand the hardships and challenges that we go through,” he says. “They can also understand how good of an environment we provide to our employees, and how important these manufacturing jobs are. The average American manufacturing employee makes over $77,000 a year. These are jobs we should be coddling. The only way for elected representatives to understand this is for manufacturers to invite them in for tours.”

Take advantage of the Export-Import Bank and its various programs, he says. “We have an advantage in this country with the Export-Import Bank, which is a good ally for us,” he asserts. “More manufacturers should take advantage of it. By working with this bank, you can extend credit to a foreign company and have your receivables protected up to 95 percent. We pay a modest premium of about half a percent, and they guarantee 95 percent of our credit. This allows us the opportunity to take more chances with exporting than we might otherwise.”

And leverage the Commerce Department’s Gold Key program. “This is an effective way to interact with new prospects,” he says. “I have used this during trips to China, Korea and Vietnam. It was a tremendous help. They provided a driver and a translator, since I didn’t speak the languages.”

THE WORLD IS A FRIENDLY PLACE

There’s always reason to be anxious, of course, but little of that anxiety emerges in conversation with Greenblatt. He’s got a record of success to look back on, to be sure, but he also sees lots of reason for optimism. First, there’s all that opportunity for export growth—bridging the gap between the U.S.’s “pathetic” export economy and the German example, for instance. Indeed, he’s launching his own export revolution: “I am personally going to shoot for 40 percent growth, but we are currently budgeting for 20 percent growth.”

There are also huge, hopeful macro-economic factors.

“First, re-shoring is definitely here”—that’s the movement back to the U.S. of American companies that moved manufacturing jobs to such low-wage countries as China. “And it is definitely going to be increasing,” he says. One reason is that Chinese wages are rising fast. In 2006, the average Chinese employee was making 26 to 28 cents per hour. In 2011, when Greenblatt visited China, he found the average was almost 10 times that—about $2.38 per hour. In the next four-year plan, Chinese wages will rise up to about $5 per hour. After that, Greenblatt figures, some Shanghai factory workers could be making $7.50 per hour.

At that point, it’s advantage U.S.A., Greenblatt says.

“If a customer has a choice between a $7.50 per hour worker in China or a $12 per hour worker in America—where we have intellectual property rights, the rule of law, and significantly lower freight costs—people are going to move their business and factories to America.”

Another big shift: the natural gas revolution. “We hit the lottery in the last four years, in that we have found two times the amount of natural gas that Saudi Arabia has,” Greenblatt says. “We have found it in places like Pennsylvania, New York, the Dakotas and Texas. As a result, we won’t have to trust people who hate us to provide us with fuel. This is a major shift. In Europe, they pay $12 for natural gas. The Chinese and Koreans are paying $16 and $18. We are blessed with $2 natural gas.”

“That’s making U.S. companies that used to be at a price disadvantage now uniquely positioned to win contracts they never won in the past—or haven’t for a while,” Greenblatt recently told NBC News. “Everyone talks about what’s going on in North Dakota, but it’s filtering down now to conventional factories throughout America.”

There is, of course, nothing “conventional” about Marlin, or about Drew Greenblatt, its energetic Man of Steel.

Additional reporting by William Atkinson and Patrick Dooley.

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