

Adapting to a Challenging Market

A merger and some gut-checking market conditions created opportunity for paper machine clothing maker, AstenJohnson, to rethink its business model and differentiate itself from its competitors. — BY JACK O'BRIEN



Bill Finn, Chairman and CEO

In September 1999, paper machine clothing manufacturers Asten and JWI Group merged to become AstenJohnson. At that time, consolidation was the trend and overcapacity was the buzz in the paper industry. A year later, consolidation was a must for some and overcapacity was for real.

During the following years, paper makers and suppliers had to deal with all of the problems associated with extended poor market conditions. On the supplier side, machine clothing companies were especially hard hit by the reduction in paper capacity.

Not immune to the industry's downturn, AstenJohnson decided to implement some fresh operational measures to deal with the "challenging" business conditions at hand.

PaperAge recently sat down with some of AstenJohnson's key individuals at their Charleston, SC headquarters to learn more about the initiatives that have been put in place. In attendance were: William A. Finn, Chairman and CEO; Dan Cappell, President; Jeff Landry, Marketing Manager and Steve Eberhardt, Organizational Effectiveness Leader.

PaperAge: What has come about at AstenJohnson since the merger?

Bill Finn: The merger provided a great opportunity for us to really think about what our business model was and how we could differentiate ourselves in a market where there are some very good players. Since then we have focused on creating value for our customers and worked to discover ways for them to improve their operating results.

What is one of your biggest economic challenges?

Dan Cappell: Carrying too much inventory. Many of our customers insist that we carry a year or more supply of inventory in our warehouses. Contrary to popular belief, this practice does not benefit our customers or AstenJohnson. Carrying what I'll term "unnecessary" inventory ties-up large amounts of capital for extended periods of time. Thus, inventory is a major economic challenge. However, we have developed some positive solutions for this segment of the process that will benefit the mills and AstenJohnson, alike.

Finn: We've had a major initiative underway for two years in the area of manufacturing for inventory.

I've gone out in the field



Dan Cappell, President

and personally discussed this problem with a number of large paper companies. While not enough progress has taken place in this area, some key executives are beginning to become aware of the cost savings associated with reducing inventory.

“...we estimate that the paper machine clothing industry has over one billion dollars wrapped up in inventory.”

**— Jeff Landry,
Marketing Manager**

estimate that the paper machine clothing industry has over one billion dollars wrapped up in inventory. It's incredible!

Finn: When you look at other industries as we are doing and return to the paper industry and see where they are and compare, it is obvious we have some very unique and serious financial problems in this part of the process. This situation is compounded as mills and machines are shut down.

What's the solution to the problem of excess inventory?

Landry: Today we are capable of rapid product delivery. When a mill takes a piece of machine clothing out of inventory, we can have another piece ready in 21 days or less. There is no need to have two, three or more fabrics stored. In all practicality, only one piece is needed.

How do you keep track of who needs what and when?

Landry: All of our field people are electronically linked to our proprietary fabric tracking system. We see every change that occurs on the machine. We know when a replacement fabric will be needed. Currently, we've got pilot programs in the field that are successful and plan to expand them during 2004.

The paper industry has taken out a lot of capacity. What does this translate to in terms of machine clothing capacity?

Cappell: Some 224 paper machines were shut down in

North America in the past two and one half years.

Examining the tons produced, this only represents a 6-7 percent of paper capacity. But to the machine clothing industry, this represents a loss of more than 20 percent of our business.

How many manufacturing facilities has this affected?

Finn: During the last 4 to 5 years, more than thirty paper machine clothing plants have shut down. Look at North America and Western Europe. At one point in time, there were over 130 plants in operation. Today, that figure is under 100, and the trend continues downward. Frankly, there still exists too much machine clothing capacity.

Is there a bright side?

Finn: I think there is. This consolidation has forced all “surviving” machine clothing suppliers to keep their best equipment, remove inefficient equipment and strategically consolidate manufacturing sites. In effect, we've become more streamline and efficient—very similar to the paper producers' situation.

How about your workforce?

Finn: Despite the consolidation, we still employ 116 highly technical people who call on the mills every day—regardless of cuts in paper facilities and decreases in tonnage. Even if one or two machines are idled at a mill site, our people must still travel to those facilities. Demand for our services seems to increase every day.

How has your approach to solving problems at a mill evolved over the years?

Finn: The most important realization we have come to is that a mill's priorities change constantly. In the past, we might assume that we did a good job on improving product quality, but at that same time a bigger problem in the mill might have been a need for increased production. So it is imperative that we keep historical documentation on each machine.

Landry: Today, our business approach is very different. It involves how much documented value we can provide for the paper companies. Each time we deliver a product to the mill or bring service to the mill we must document the value that a specific product or service brought to the customer's bottom line. We now have a solid business system in place that verifies this approach.

Tell us a bit about the system AstenJohnson uses.

Landry: We conduct what is called our “Competitive Edge” business process. It consists of examining the entire machine, from headbox furnish samples to simulating nip intensity, etc. It’s no longer just a reference list.

What type of information do you collect?

Landry: For example, if we are conducting a mill trial, we carefully determine the trial objectives. When the trial has been completed, we document the value in exact terms such as savings in retention; how much a certain fabric saved in one year on retention aids; increases in production; smoother tissue; higher quality; you name it. Importantly, it is all documented. We really work as a team with the papermaker.

Aside from the obvious benefits derived from documenting data, how does this approach help a mill save money?

Cappell: We want the mills to realize that simply paying less for machine clothing is old-time thinking. You get what you pay for. Buying by price alone may look like cost savings from an accountant’s standpoint, but in the long run it is not. Buying a high-quality product, engineered for a specific application, could save millions over an extended period, instead of pennies in the short term. In many industries, the analysis of cost in use is called the Total Cost of Ownership.



Steve Eberhardt,
Organizational Effectiveness Leader.

What has AstenJohnson done to keep its operating costs down?

Eberhardt: First, it became everyone’s priority to identify and eliminate waste. We discovered we had transportation waste, waiting-time waste, raw materials sitting in warehouses, etc. As a result of our findings, we developed and

implemented our AstenJohnson Lean Enterprise. We conducted in-depth training with all of our associates at all sites, including Europe. We then appointed Lean leaders from each site and team. April 2001 was our first conference where we introduced “lean manufacturing” concepts. I should add that this all came about when we

looked outside this industry, examining closely what successful world-class companies were doing.

Have all AstenJohnson employees participated in the program?

Eberhardt: During 2002, eighty-five of our people, including CEO Bill Finn, undertook this training so they could introduce others to the concept. Almost everyone in our organization has participated in this program to some extent.

What else have you done?

Eberhardt: Another step we’ve taken was adopting “Common Operating Concepts” so that all manufacturing and administrative sites can be developed to be totally uniform in operation. We employed many unique tools to measure just how orderly and organized we were. We quickly got rid of all equipment that wasn’t productive, emphasized safety even more than ever, bought the very latest in tools, stayed focused on quality, and above all, achieved lower operational costs. For example, we installed shadow-boards at each workstation so that the operator could easily reach every tool. We were amazed at how seemingly little items like this cut down operating time.

How about a final word for both the paper machine clothing makers and the paper producers?

Finn: You know, we can all learn a little bit from each other. As we recall from Dr. Deming, ‘if we always do what we’ve always done, then we’ll always get what we’ve already got.’ We’ve got to go out and benchmark with other more successful industries; listen and act. When I searched out and discovered that the clothing industry has over one billion dollars tied up in inventory, I was shocked. Paper industry executives should share my shock. This is critical information to be acted on and there is much more to be discovered if we open our minds to looking at our old challenges as new opportunities to make our industry more competitive.

I’m totally convinced there is a way out for the paper industry and the clothing industry if we work together towards strategies that really cut costs. Maybe soon we can all return to solid financial health, start again attracting the brightest new people to our industry and enjoy the prosperity we’ve worked very hard to achieve. ■