

Locked in Iron

The Mertz family has used insight (and the Internet) to build their heavy-metal business

■ Metal Locking Service Inc.

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■ SMALL-BUSINESS CASE STUDY

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Making fixes to heavy metal and cast iron machinery is not the kind of job just anyone can do.

The process uses metal inserts to repair breaks and cracks, rather than the traditional heated fusion method of welding. The result is a metal zipper that locks and laces metal in place, which is then covered by a metal finish.

Metal Locking Service Inc. has carved a niche in the specialty market, repairing everything from locomotive engines to stamping presses over the past 60-plus years.

The past four years have seen significant growth under new management, with the company doubling its workforce in the past three years and nearly quadrupling its plant and office space with a move to Buffalo's Colgate Avenue this January.

Who's who: Patricia Mertz, owner; Wayne Mertz, president; Matt Gehman, general manager; Tom Price, senior



Machinist Joe Leroy repairs a part using a boring mill installed after Metal Locking Service moved to larger quarters.

project manager; Tushar Bhans, junior project manager; and Crystal Newman, marketing manager.

History: Founded by George Jackman in Niagara Falls, Ont., in 1942, Metal Locking Service moved to Buffalo in 1945. Its focus has always been cast iron repair, though services have expanded over the years to include heavy industrial machining and on-site machining.

The company remained in the Jack-

man family until 2000 when George Jackman Jr. sold the company to Metal Works Group, a holding company that also includes Goergen-Macwirth Co. Inc., West Metal Works Inc. and S. Howes Co. Inc., all of Buffalo. Goergen-Mackwirth specializes in sheet metal fabrication, while West Metals is a heavy equipment fabricator. S. Howes, a process equipment manufacturer, came into the fold

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in recent months.

Jackman was looking for a buyer and Metal Works Group was looking for a strategic acquisition to satisfy its machine shop needs. Gehman said it was a perfect match.

"Part of the attraction was location, as it was central to a group of companies we were buying," he said. "And certainly the employees and their skill sets were attractive."

Wayne Mertz, president of the company, said he was attracted to the business also because of the previous ownership.

"They had developed a company that had a strong and great reputation," he said. "What attracted me was the potential growth and the unique service they provide."

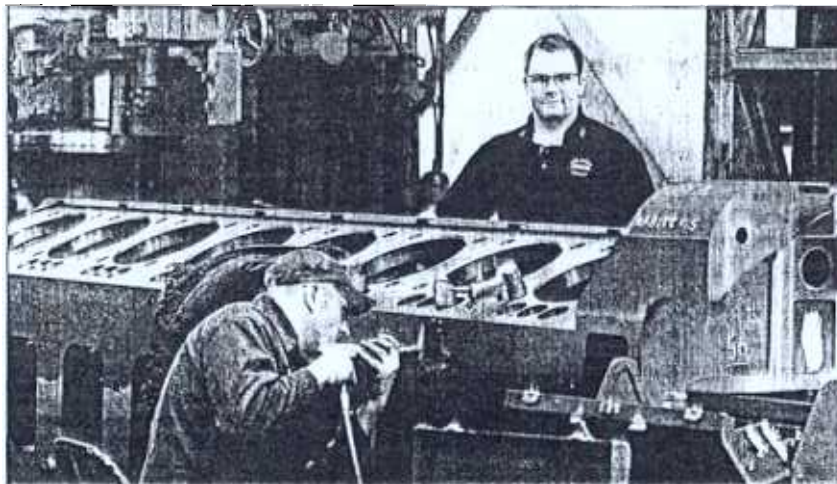
Metal Works Group had also done some scouting, sending over a few jobs to see the kind of work Metal Locking's shop could handle. All of those six shop staff remained on after the acquisition, as well as three administrative office staff.

Today, the company has 19 employees in the shop and six in the office.

Greatest challenge: In the first year after acquiring the company, the owners had to settle a new contract with the union shop. It was a big test of employee relations, but one that management passed with flying colors.

"There was definitely a feeling-out period of what are these guys going to do," Gehman said. "It was definitely a very large sense of saving the jobs. The older guys that had been here a long time really had a high level of concern George (the former owner) was going to close the shop so there was a lot of enthusiasm to keep the business growing."

Revenues: Under the previous ownership, the revenues hit \$700,000 in its best year.



Matt Gehman, general manager, says metal-locking machinists like Mike Smith provide a unique service offered only by three companies nationwide including Metal Locking Service.

In 2005, the company hit \$2.25 million and is on track for 2006 to hit \$3 million-plus based on first quarter revenues.

Greatest revenue enhancement: Going online. The previous owner relied heavily on word-of-mouth and referrals. Metal Works Group immediately set up a Web site. The site has helped expand the company's geographic reach and now gets leads from around the world. About 20 percent of sales are new business, with half coming directly from the Web site.

Although Metal Locking did some international work in the past, since the acquisition that's been increased significantly to four other countries, with workers traveling to Mexico and the Caribbean.

"The Internet has been a huge seller," Gehman said, adding that the company has had to scale down its pay-per-click

online advertising because it doesn't have the capacity to handle all the work that comes in. "We are turning down work on a regular basis."

Proudest accomplishment: Gehman counts growing the company to the point where it could afford to move from cramped quarters as the highlight of the last year. The former space on Hayes Place was just 5,800 square feet, compared to the rehabbed 23,000-square-foot site the company purchased in South Buffalo.

"This is really a jewel for us and a nice machine shop for Western New York," he said.

Moving to the larger space also enabled the company to go back to one shift, where before staffers split between two shifts and even had to take lunch break on shifts. The company has been able to bring some machinery back online that had been moth-balled for lack of space. It also purchased equipment from the defunct machine shop Clearing Niagara Bliss, including a boring mill that cost \$16,000 but another \$30,000 to move it into the building.

Largest recent capital expenditure: The company financed the \$525,000 building purchase, spending another \$375,000 to rehab the 1920s-era facility, including wiring the entire facility with a T-1 computer network and all new pneumatics and electrical sys-



Timely lessons

■ **Employees are key to success.** Reward a quality, skilled workforce and do what it takes to keep them.

■ **Use your resources wisely.** The business shares some staff with its sister companies and takes advantage of a centralized computer system.

■

tems.

Was it worth it? "The reactions of people who had seen our old place compared to the new place was incredible," said Crystal Newman, marketing manager. "It's been just fabulous (for employees), both the improved working environment and the morale."

Plans: The company is continuing to increase its niche in outside work, doing jobs on-site. That's important because printing presses and other huge iron machinery can be very difficult to move and transport to the Metal Locking's facility.

Mertz said he sees some strategic advantages to partnering with other metal locking companies, or possibly buying out other companies with older management looking to get out of the business.

Other plans call for increasing work in the railroad business. In late March, Metal Locking secured a multi-year contract with Union Pacific. A longtime customer, the company previously did about \$20,000 to \$30,000 worth of work at two Union Pacific sites per year, a figure that grew to \$600,000 last year at multiple locations.

The company is partnering with Dresser Rand on a multi-year effort that will see Metal Locking serve as prime contractor for work related to hurricane damage at oil and gas companies. The company completed its first job on the deal in March.

Depending how things go, the work could see a \$50,000 per year customer growing to close to \$500,000 in a few years, he said. That will likely mean adding more staff to handle the increased workload.