

Friday, April 25, 2008

Molding its future

KDE tackles tough times by bringing work in-house

Business Courier of Cincinnati - by [Jon Newberry](#) Staff Reporter

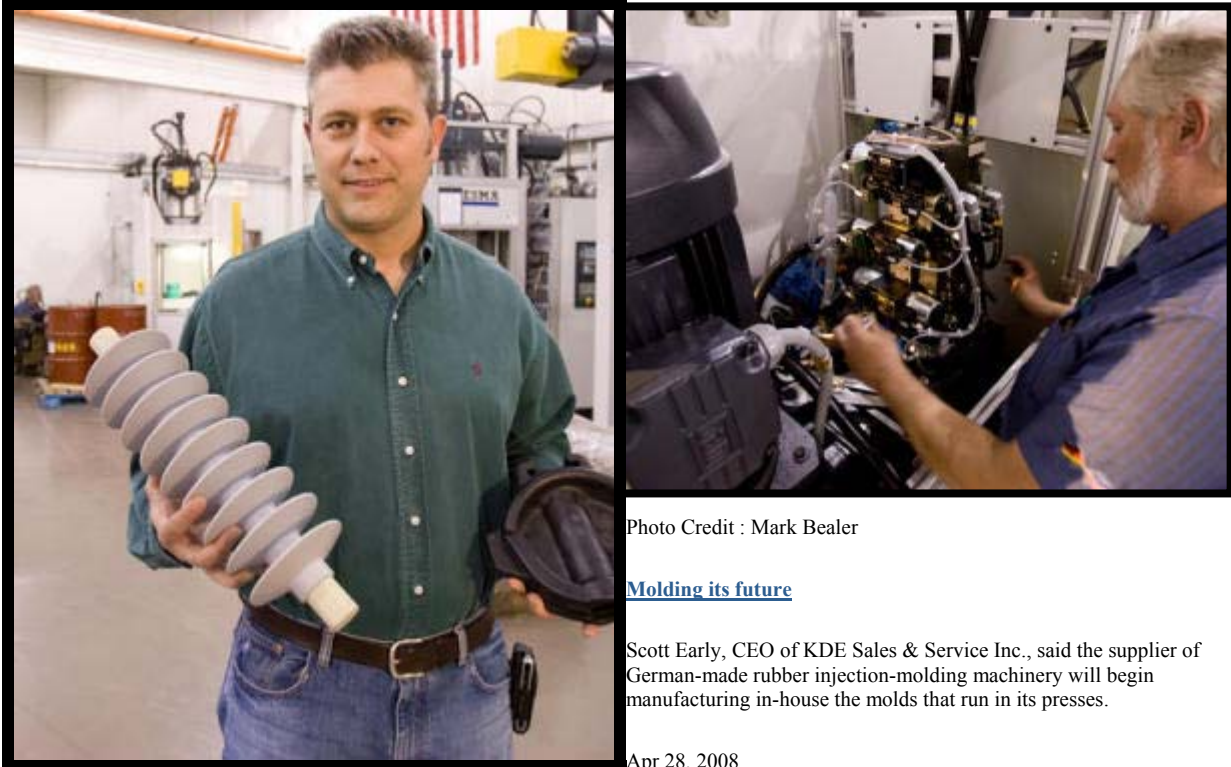


Photo Credit : Mark Bealer

Molding its future

Scott Early, CEO of KDE Sales & Service Inc., said the supplier of German-made rubber injection-molding machinery will begin manufacturing in-house the molds that run in its presses.

Apr 28, 2008

Stuck in a mature-to-declining industry and serving a customer base that's hurting from the U.S. economic slump, Scott Early figures there's only one way to keep growing - expand capacity.

So **KDE Sales & Service Inc.**, a supplier of German-made Desma rubber injection-molding machinery, soon will be making the molds that run in its presses. Early, its president and CEO, estimates that a typical mold sells for about \$50,000, so it could boost his company's in-house revenues by 25 percent on the sale of a press and mold package for \$250,000.

Until now, its molds have been supplied by third parties.

"We're fighting for our lives in a mature market. This will take our business to the next level," Early said of the Hebron-based sales and service operation.

KDE currently has sales of about \$20 million annually, and its parent's overall sales are about \$100 million, Early said. KDE is a big player in the U.S. market for rubber injection molding, but it has only a fraction of the sales of larger companies such as Cincinnati-based **Milacron Inc.** and **Krauss-Maffei** in Florence, which supply plastic injection-molding machinery, Early said.

"Rubber is a niche market. It's peanuts (compared to plastic)," he said.

KDE's German parent, Klockner Desma Elastomertechnik GmbH, began making molds 10 years ago, and they now account for about 15 percent of its overall business, Early said. So its expansion here will be modeled on its parent's successful experience.

One of its biggest hurdles is finding qualified, skilled workers. Despite the economic slowdown, a steady loss of manufacturing jobs and the Cincinnati area's history as a center for manufacturing machinery, Early said he's been warned that finding the people he needs won't be easy.

His most imminent need is for someone with hands-on experience in mold-making to take charge of getting the new venture under way. The machinery to make the molds is scheduled for delivery soon.

The first phase will be housed in existing space at its Hebron facility, where the company has shifted some operations to make room. A second phase will require enlarging the building. Altogether KDE expects to add 15 employees within two years, according to a project report with the Kentucky Economic Development Department. Most of the workers will be operators of computer-controlled machining centers and tool-and-die makers, Early said. It's craftsman-type work - as opposed to high-speed production work - as each mold is custom-designed to customers' specifications, he said.

a trial-and-error process

Making rubber injection molds is inherently a trial-and-error process because the chemical composition of rubber - unlike plastic, a more commonly used material for injection molding - changes when it's heated and pressurized, Early said. So molds have to be tested, adjusted and fine-tuned in a multiple-step process before achieving a product that meets specifications.

By making molds in-house, KDE will be able to immediately test them on the same kinds of Desma presses that they'll be running on during production, so its speed to market should be a big advantage, Early said.

"We'll only have to move the mold 15 feet," he said. He's also hoping customers who buy its molds will be more inclined to buy new machinery from KDE.

Early thinks making molds in-house will help offset some of the disadvantage caused by the U.S. dollar's weakened exchange rate, particularly in relation to the euro. The dollar's value in terms of the euro has fallen 17 percent since January 2007, which means that if KDE's German owner sells a new press for \$200,000, it now gets only about 128,000 euros instead of the 154,000 euros it would've gotten just 15 months ago.

Since its manufacturing costs are mostly in euros, it has to either cut its margins or try to raise prices in an already soft economy. But augmenting sales of German machines with those of U.S.-made molds will offset some of that disadvantage, Early said.

foreign firms like area

According to the Cincinnati USA Regional Chamber, KDE is one of 68 German-owned businesses in the metro area. Adding in companies from France, the Netherlands, Italy and elsewhere, euro-zone companies account for about 40 percent of Greater Cincinnati's foreign-owned businesses.

Dan Tobergte, CEO of the Northern Kentucky Tri-ED economic development agency, said it is still seeing considerable interest among foreign companies. Mauer USA, a maker of plastic injection-molded caps and closures, established headquarters in Boone County last year; Wild

Flavors announced a major expansion in Erlanger; and other expansions included Germany's Mubea Inc. and France's Messier-Bugatti.

European companies expanding north of the Ohio River include France's Sogeti USA and Mane Inc., and German-owned **Hubert Co.**, according to the 2007 Cincinnati USA Partnership Regional Growth Report.

"We are still seeing foreign investment. It's not dried up at all for us," Tobergte said.