Chesapeake Industrial
Cleaning Products, Inc.

Why Don't Chemistry Suppliers and Equipment Makers Partner Up for One Stop Shopping?

This question is often asked when things are not going well in a given operation and the inevitable finger-pointing has begun. While there are some organizations that sell both cleaning equipment and the chemistries that go in it, in general the two product lines are provided by two different companies.

Manufacturing Differences

There is a significant difference in manufacturing metal products versus mixing chemicals. Making equipment involves bending and forming metal along with assembling systems to operate as designed and making sure various parts and components are properly integrated into the overall unit. Chemical manufacturing is at heart a blending operation. Rarely does an operators' hand touch the actual product. Most of the manufacturer's efforts are spent making sure the ratios of ingredients are correct and that things are mixed in the proper order. Terms like craftsmanship and quality construction are not heard in this environment. Consistency and accuracy are the most important variables in the process. Consequently, when firms look at combining the two operations under one roof, there are very few areas of overlap that would save money or time in the respective production cycles.

Sales Differences

Buying and selling a capital piece if equipment is vastly different then selling a consumable product. Just the internal process at most companies is very different. Capital purchases usually involve some form of Request for Capital paperwork that may need to be signed by 4,5 or 6 people depending on the level of spending. For larger equipment, various departments such as engineering, maintenance, finance, operations, etc. will all be involved in the decision. From the perspective of the vendor, it is a long and often arduous sales cycle that can take a notable amount of time and effort with no guarantee of success. Consumable sales by contrast are often just as difficult but require a different skill set. Since the dollar numbers are smaller and buying something does not lock one into a long term decision, fewer layers of approval are needed and the sales cycle is generally, though not always, shorter. Also, the business is always more at risk as it is easier to change a chemistry than to tear out a machine and buy a new one. The consumables sales person generally spends more time with the customer after the sale making sure everything is working well.

Business Differences

Because most businesses start out as focused on a single product line, getting into other products requires a business rationale supported by some type of economic plan. While two firms could combine to form a single entity in this area, other than backroom operations there are no synergies to be derived from a cost reduction standpoint in the business. Additionally, the skill set of people in the field needs to be upgraded to successfully bring on a new and completely different product line. Thus, it becomes difficult to justify mergers or acquisitions of companies from other areas without a sound business plan.

Informal partnerships are also somewhat unusual as companies don't want to be seen as being to close to a particular firm lest they be shunned by other companies in the same industry. A chemical firm that partners with a specific equipment company risks missing out on opportunities with other equipment suppliers. Ask any salesperson in the industry about losing a sale in such a situation and be prepared to hear several stories of woe. The same situation works the other way, too. Thus, most firms try to keep on good relations with their counterparts without getting too close.

Summary

There are many examples of similar situations in the consumer marketplace: you buy your washing machine from Maytag but your laundry detergent from P&G, you buy your car from GM but your gas from Exxon, you buy your lamp from Steiff but your light bulbs from GE. All of these companies have at one time or another looked at expanding into areas related to their markets yet have come to the realization that they are just not suited to that type of business and there are no inherent benefits to combining the various entities. Thus, cleaning equipment suppliers and chemical suppliers will most likely continue to be two very distinct parts of the same industry.

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