



Bock Water Heaters Open New Markets



Bock Rethinks Its Business and Fires Up Growth

The Company

For 77 years, Bock Water Heaters Inc., has thrived as an employee-owned company with plants in Princeton (subsidiary, Tank Technology, Inc.) and Madison and employs 90. Bock has manufactured branded, oil-fired water heaters for homes. “We are the market leader in that niche and we’ve enjoyed that for many years,” said Terry Mullen, Bock’s chief operating officer.

The Issue

But that market has been contracting due to high oil prices and, more recently, slow housing starts. So the management team at Bock, decided to fundamentally rethink their company and its products. “To grow, we had to find a way to go beyond our past strengths,” said Mullen.

Strategic Repositioning

Their search for a new way led them to Strategic Repositioning, which helps companies leverage their Strategic Competencies to redefine their business in order to be more competitive. Strategic Repositioning, a WMEP growth solution, is part of the Strategic Business Development toolbox. It can lead to new, innovative products and services with real market potential that increase value for the customer, while differentiating an organization from the competition and creating barriers to entry into its markets.

Results

The results of Bock’s Strategic Competencies work include:

- ▶ Sales up 4% last year (when the market for oil-fired appliances was down 15-20%)
- ▶ Projected increase in sales for this year of 10%, primarily from the OEM side
- ▶ Several significant new customers
- ▶ New porcelain service turned some competitors into customers
- ▶ Improved profit margin
- ▶ Avoided layoffs by pursuing OEM business
- ▶ Built an 8,000 square foot addition to the Princeton plant to gear up for the OEM business

To discover their Strategic Competencies, “they listed all of their company’s strengths, then filtered each one through three key questions,” said Steve Harrell, WMEP regional manager.

Those key questions are:

- ▶ “Does this have value for our customers?”
- ▶ “Does it differentiate our company from the competition?”
- ▶ “Is it difficult to copy?”

If they were able to answer “yes” to all three questions, the strength was considered a strategic competency.

The list of strengths they initially came up with was “quite a long list,” said Mullen. But by the time they put each item through the three questions, they were left with two Strategic Competencies.

The first competency was the heat exchangers they made as a component of the water heaters. Besides being the most efficient heat exchangers on the market, Bock holds patents for both the exchanger itself and the technology to produce it, making it extremely difficult for competitors to copy.

Identifying Strengths

“They always thought of themselves as a water heater manufacturer,” said Harrell. “They discovered their main competency was the patented heat exchanger.” The second competency was their ability to apply porcelain to complex parts. They had always applied a porcelain lining to their water heater tanks and realized they could offer that service to others. “There’s a high-dollar capital requirement to do that kind of work,” said Mullen, making it difficult for competitors to move into that market.

Pursuing New Markets

Based on these new Strategic Competencies, “We decided to pursue business in a different way,” said Mullen. They started going after OEM business, selling the heat exchangers, which can be used in equipment other than water heaters. They also began to market the porcelain application service and as a result, they are currently lining tanks for some competitors. And they are continuing to sell branded water heaters, but expanding into the commercial, gas-fired market.

“We can get more out of our current labor force and we have better utilization of the plants, which improves our profit margin,” Their Lean work created more capacity, while Strategic Business Development helped them utilize that extra capacity.”

*Terry Mullen
Chief Operating Officer
Bock Water Heaters, Inc.*

The OEM Challenge

Venturing into OEM territory posed many challenges, requiring them to “change fairly quickly. These new, larger potential customers are much more demanding. Almost overnight, we had to put in a quality system, since we’re now being audited and graded. We had to be prepared to address that. But it made us a better company,” Mullen said.

They also found that sales and support were different for their OEM customers, who prefer to work with a sales team. While it has been challenging for a small company to make so many changes, their size has also been an asset because it allows them to react quickly. They won some OEM business because they offered technical support, a value-added service that “brings solutions to the customer,” said Mullen.

Results

The results of Bock’s Strategic Competencies work include:

- ▶ Sales up 4% last year (when the market for oil-fired appliances was down 15-20%)

- ▶ Projected increase in sales for this year of 10%, primarily from the OEM side
- ▶ Several significant new customers
- ▶ New porcelain service turned some competitors into customers
- ▶ Improved profit margin
- ▶ Avoided layoffs by pursuing OEM business
- ▶ Built an 8,000 square foot addition to the Princeton plant to gear up for the OEM business

Because Bock had previously applied Lean Manufacturing techniques at its plants, “we can get more out of our current labor force and we have better utilization of the plants, which improves our profit margin,” said Mullen. Their Lean work created more capacity, while Strategic Business Development helped them utilize that extra capacity.

The work to pursue new markets continues. “It takes time,” said Mullen. “Just developing an OEM customer is a 1 to 2 year project, from getting the business to making the first delivery. It’s kept us pretty busy, but we knew we had to spend time on the business, not just in the business.”

“It’s a change in perspective in how you view your overall business in the marketplace,” said Harrell. “As long as they were thinking of themselves as water heater manufacturers, heat exchangers were just a component of what they did. It was a shift in the way they defined their business, from what they make to what they do.”

About WMEP

WMEP is a private, nonprofit consulting organization committed to the growth and success of Wisconsin manufacturers. A leader in Next Generation Manufacturing, WMEP brings best practices to Wisconsin firms to help them achieve world-class performance through innovation and transformation. During the past five years, WMEP-assisted manufacturers have reported nearly \$1 billion in economic impact with 6,557 jobs created and retained.

For more information, visit www.wmep.org or call 877.856.8588.

Wisconsin Manufacturing Extension
Partnership
2601 Crossroads Drive, Suite 145
Madison, Wisconsin 53718-7923
results@wmep.org www.wmep.org

