

North American HVAC Accessories Manufacturer



Ray Yeager - CEO

About Ductmate Industries, Inc.

Ductmate Industries Inc. is the largest heating, ventilation and air conditioning (HVAC) accessories manufacturer in North America.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: *Mr. Yeager, what is Ductmate?*

Mr. Yeager: Ductmate is a manufacturing company that produces products for the building trade industry. We primarily make items for HVAC Mechanical Systems and most all of our products go into commercial construction. We sell through distribution to sheet metal and mechanical contractors throughout the United States and all over the world.

CEOCFO: *Why would someone want a Ductmate product as opposed to one of your competitor's offerings?*

Mr. Yeager: For a number of reasons. We can usually provide significant savings and energy through our products because they are energy savings products and/or labor savings items. Most of our offering is specified by consulting engineers and so therefore when the specifications are released to build a building, oftentimes you will find Ductmate products throughout.

CEOCFO: *Has energy saving always been a focus for you or has that developed over time as people have become more conscious in general?*

Mr. Yeager: That is actually the reason we began in 1978. Our first product line was the Ductmate product line. Now we call that our Ductmate rectangular offering. It was specifically designed to reduce energy by eliminating leakage at the connection on duct systems. It was also designed to save labor based on construction standards of the late 70s. We were what is considered today to be a "green" products before "green" was a common construction term. Back in the 70s, there were two major oil embargos, and our product offering came shortly after the second era of oil embargo.

CEOCFO: *How do you manage the inventory?*

Mr. Yeager: Managing inventory is actually something we are exceptionally good at. We are a lean enterprise and so consequently, we focus on being lean in our manufacturing processes. That is actually number one. We are lean in our offices and try to be lean in all of our processes. If you are a lean enterprise, you will focus on all the variables necessary to meet customer demand, so consequently we have sophisticated models to manage our inventory based on anticipated demand and historical demand.

CEOCFO: *How often do you introduce new products and how do you decide when something should be added or removed?*

Mr. Yeager: We have processes in place with our product innovation team for new products. We are innovating and introducing new products on a consistent basis. Sometimes they are very innovative and sometimes they are a new and improved variation of an existing product in the marketplace or even a new and improved variation of one of our existing products. The product innovation team is charged with developing new products, introducing new products and we go through a thorough process of looking at the product, doing an initial return and investment analysis. If that passes, then doing a "voice of the customer", while at the same time doing the proper engineering analysis, and then following up with a final return and investment analysis and then introduction and marketing. We go through a normal introductory process when you talk about introducing new products. Conversely, when you look at our existing product line, we have very thorough and sophisticated analysis of profitability, so we can watch it decline if one were to occur. If it were a decline over a consistent period, we have been known on rare occasions to eliminate products from our product offering.

CEOCFO: *What is the international reach?*

Mr. Yeager: We actually have a licensee in Europe who has licensed a number of our products and has since the early 80s. They provide some of our product lines to the European market. Oftentimes in places like the Middle East, the design engineers are from the United States. For example, if you are building in Qatar, the design engineer may be from Chicago or New York, in which case they are going to have Ductmate products in their specifications. Consequently, we have distributors in the Middle East and in Australia, and we have a distributor who handles Australia and New Zealand. They have been our distributor for many years, and in Australia, they tend to build commercial buildings similar to ours in the US. Oftentimes if someone is an owner of a building and they are building a large commercial building and the HVAC and mechanical systems are similar to the United States, then Ductmate Products will oftentimes either be in the specs or they will ask us for quotations. We have to have distributors in and/ or a licensee throughout the world.

CEOCFO: *Many people will say manufacturing cannot flourish here in the US, but clearly Ductmate proves this false. How and why are you able to buck the trend?*

Mr. Yeager: First of all, I will mention that I am very proud to be the chairman of the board of Catalyst Connection. Catalyst is the MEP or Manufacturing Extension Partnership firm. The MEP program is in the department of commerce. Catalyst promotes manufacturing in the US and in our particular case, Western Pennsylvania. If you are a world class manufacturer, if you are a lean enterprise, you can manufacture products in a cost effective manner here in the United States. We are a unique, we pay very competitive and fair wages; our workers have good health, welfare benefits and a pension. If you are a world-class manufacturer, there is no reason why you cannot manufacture the vast majority of your products here in the United States. We happen to have core competence in metal forming and stamping. Additionally we happen to be very good at making sealants in a mixing operation. Those are our core competencies and we are able to do that at a very competitive cost, thus we are able to manufacture here in the United States.

“If you are a world class manufacturer, if you are a lean enterprise, you can manufacture products in a cost effective manner here in the United States.” - Ray Yeager

CEOCFO: *It is amazing how many people do not realize that, because it would seem so logical.*

Mr. Yeager: It is and when you are involved with the MEPs across the United States, you find that they are trying to get the word out. The department of commerce and the National Institute of Science & Technology, which is where the MEPs are housed, trying to inform America that manufacturing can be done here in a cost effective manner. There are some products that are made overseas and will take us a long time to get to a point where we might be able to bring them back, but manufacturing is strong in the US and it is very strong here in Western Pennsylvania. We are pleased to be able to tell the world that it can be done.

CEOCFO: *Are there newer technologies you are able to take advantage of in the manufacturing process and what goes into evaluating what you might want to or consider?*

Mr. Yeager: Automation is something we are always investigating. You might analyze a manufacturing cell or production line. You always need to look to automation, productivity is important and that will keep businesses profitable for the long run. It does not necessarily mean that you are going to have less people if you become innovative and more productive, because oftentimes companies that are profitable develop other products and services to sell, thereby keeping their workforce. I think that is really the key to be successful and profitable here in the United States. Stay productive, lean, always look for innovation, new technologies, see if they can fit within your manufacturing environment and utilize them. Everything we do, we do on a return in investment analysis, so consequently, if in fact we can save material, save labor dollars and the hurdle rate is acceptable, we invest. We invest millions of dollars every year.

CEOCFO: *How might Ductmate Industries be different a year or two down the road?*

Mr. Yeager: We have a group within our company that we call Blue Sky 2025. This is a group of young men and women in our organization, a part of our professional staff. They are charged with looking at what the factory of the future, what the labor force of the future and what the buildings of the future are going to look like. When I think about a successful company and a company like ours that takes a strategic approach to the future, we evaluate where the future is headed. If they still build big buildings but they do not use the same components that they use now, we keep an eye on the change. If they change materials, we are keeping an eye out. If we see automation and we believe we can implement that automation, we look. We need to adapt and change. These are critical or a successful, strategic company to survive.

BIO: Founded in 1978, Charleroi, Pennsylvania based manufacturer, Ductmate Industries, Inc. (DMI Companies) is a leading manufacturer of HVAC accessories. DMI Companies supplies the commercial, industrial and residential HVAC markets through a vast network of distributors, both domestically and internationally.

Raymond W. Yeager holds the position of President and Chief Executive Officer for DMI Companies. Ray joined DMI in 1984 as a Controller and quickly rose through the ranks before being appointed President in 2005. Ray has certainly found his niche in the business world, as he continues to utilize his talents while leading DMI Companies in their award-winning tradition and is recognized as the pacesetter he has proven himself to be. As the head of DMI, Ray was selected the HARDI 2009 Supplier of the Year winner in recognition of his consistent and exceptional service to HARDI wholesaler distributors and the HVACR distribution industry.

Guided by his aggressive approach to sustainable manufacturing and his recognition and foresight for the future of the industry as it moves toward green-building, Ray and DMI Companies have identified the opportunities for their products and services in the green-building market and continued to stay ahead of the curve, building upon DMI's elevated standards established over thirty years ago. Since his induction as President and CEO, DMI Companies has been named the Manufacturer of the Year two years running (2008 & 2009) in Pittsburgh and has also received a Product Innovation Grant for \$100,000 to be put toward product development via their partnership with the Green Building Alliance (GBA). The grant was used for the development of Ductmate's GreenSeam product, which will significantly reduce duct leakage. DMI Companies are worked with the University of Pittsburgh on this endeavor.

Early in 2010, DMI Companies was given two advanced energy project awards of approximately \$275,000 by the Department of Energy. They are for enhancements to the GreanSeam+ product line and projects in the HVAC energy savings category. These awards were available through the American Recovery and Reinvestment Act (ARRA). DMI Companies has three years to utilize the funds available.

Ray believes in leading by example as he continues to lead the DMI Companies down the path of good corporate sustainability. In 2001, DMI purchased a vacant and dilapidated 110 year old building in Charleroi, PA. Over the next three years the organization invested significantly into renovating the historic building, converting it into its Corporate Headquarters and a registered US Historic Landmark. As with all of DMI's facilities, DMI's Corporate Headquarters is a model of efficiency and sustainability. In 2010 the building was entered into Energy Star's portfolio manager and currently receives a score of 89. DMI entered the Corporate Headquarters into the ENERGY STAR National Building Competition in 2011. Finally, when it was determined in 2011, that the building's roof was due for a replacement, Ray and DMI once again looked for the most sustainable solution. After reviewing the options and their respective ROI's, the Board of Directors, Ray and his team chose to proceed with a highly reflective white roofing membrane which also incorporated a high efficiency photovoltaic system.

Mr. Yeager has also served on many committees during his career with DMI Companies. He is currently the Chairman of the Board for Catalyst Connection. Catalyst Connection is an economic development organization whose mission is to advance the performance of manufacturing companies in Southwestern Pennsylvania. He also sits on the Business Advisory Board at Edinboro University. The purpose of the Board is to provide input and advice from a practitioner's perspective in the areas of program mission, strategic planning, curriculum and related issues affecting future program development. He has been past members for Board of Director for: HARDI (Heating, Air-conditioning & Refrigeration Distributors International) and SMACNA (Sheet Metal & Air-conditioning Contractors' National Association) and SMACNA of Western Pennsylvania. He has also served on the committees for the Leadership Council for Green Careers for the State of Pennsylvania and the Sustainable Initiative Committee of Allegheny County. He is often asked to address industry groups, colleges and universities on the subjects of Supply Chain Management, Green Jobs, Sustainable Business Structure, and Strategic Planning. His sound and reasonable approach to business and problem solving will take hold amongst these organizations and provide opportunity for growth and conceptual impact to promote strong forward thinking opportunities for the region. Also, both the business community and the community at large are greatly impacted due to the continued success of DMI Companies. Economic support of the local community via employment of such a large group and the decisions made that have enabled DMI to keep people employed at a time when layoffs and salary cuts are the norm. On a broader scale, the impact on the HVAC business from DMI's National standing as an industry leader that possesses integrity and leadership skills second to none that should serve as an example to everyone are certain testaments to the quality manufacturing and operating procedures employed by Ray Yeager and DMI Companies.

DMI Companies and Ray Yeager intend to continue to manufacture quality HVAC accessories while utilizing their efforts in sustainability and contributing to further advancements in green-building, thus "Setting the Pace" for the industry's future.



Ductmate Industries, Inc.

210 Fifth Street

Charleroi, PA 15022

800-990-8459 or 724-258-5494

www.ductmate.com