A D H E S I V E S U R V E Y

NORTHEAST REGION

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April, 1980

I N D E X

INTRODUCTION

This survey is meant as an update to the two surveys done in previous years by E. F. Capron and B. R. Dolimount of the old New York Region, plus an inclusion for the first time of the territory that was the old Northeast Region.

It is an attempt to define customers, usage, and to make specific recommendations as to how to deal with this complex market.

DEMOGRAPHICS

Adhesive accounts primarily are concentrated in three areas in the Northeast Region: New Jersey (Paterson and Newark); New York (Brooklyn); Massachusetts (Lawrence and Brockton).

The reasons for this demographic split are as follows:

New Jersey - Was historically an area of packaging and paper converters for the textile (silk) and chemical industry centered in New Jersey. These company logos can still be seen in the area, U. S. Box, Marcal, Union-Camp, Keyes Fibre, Federal Paper and so on.

New York - Grew as a result of the textile fabricating and packaging being done in the garment district.

Massachusetts - Growth is a direct result of the textile and shoe industry that was so prevalent at the turn of the century and has experienced a resurgence in the last decade.

The balance of business is found in pocket enclaves servicing a specific customer or industrial need.

NATURE OF ADHESIVE INDUSTRY

Since the adhesive business is so secretive about what they do and products they use, it became a frustrating task to gather data for the report.

Resource material, at best, was marginal, an example -- the Adhesive Redbook lists 1,147 adhesive plants and 700 adhesive companies. However, these listings turned out to be anyone that might have anything to do remotely with adhesives. Standard response to an inquiry, "No, I don't make adhesives. However, I do make bolts used on hot melt machines, etc."

Therefore, the survey has been approached by contacting directly known manufacturers and information gathered through distributors.

Due to the secretiveness of the industry, information gathered is, at times, extremely accurate or nebulous. Where pounds or products are identified, their accuracy depends entirely on the divulger. Where customers refused to divulge plasticizer used or pounds, an asterisk is used to denote plasticizer used as estimated by outside competitors. Most customers so asterisked are Dibutyl Phthalate users and an estimate of consumption was based on size as determined by number of employees.

Sixty (60) accounts were included in the survey (data attached).

MARKET PLACE

The market place in the Northeast Region is a mixture of customer size and demands from a major like National Starch (4.2M pounds of S-160) down to a Mace Adhesive (1,000 pounds of S-160).

At this point the reader should be aware that the adhesive business is unique from the stand point that there is very little technical sophistication involved in most of the industry, and entry into it requires very limited capital, if any at all.

Basically one only needs a 55-gallon drum, a canoe paddle, some resin and plasticizer, stir twice, and you have an adhesive.

Any technical sophistication found in the industry is done by the majors, with smaller houses copying formulations or offering a "me too" product.

Due to the limited capital required for entry into the business, most manufacturers are garage-type operations, located in slum areas.

POUNDS OF PLASTICIZER AVAILABLE

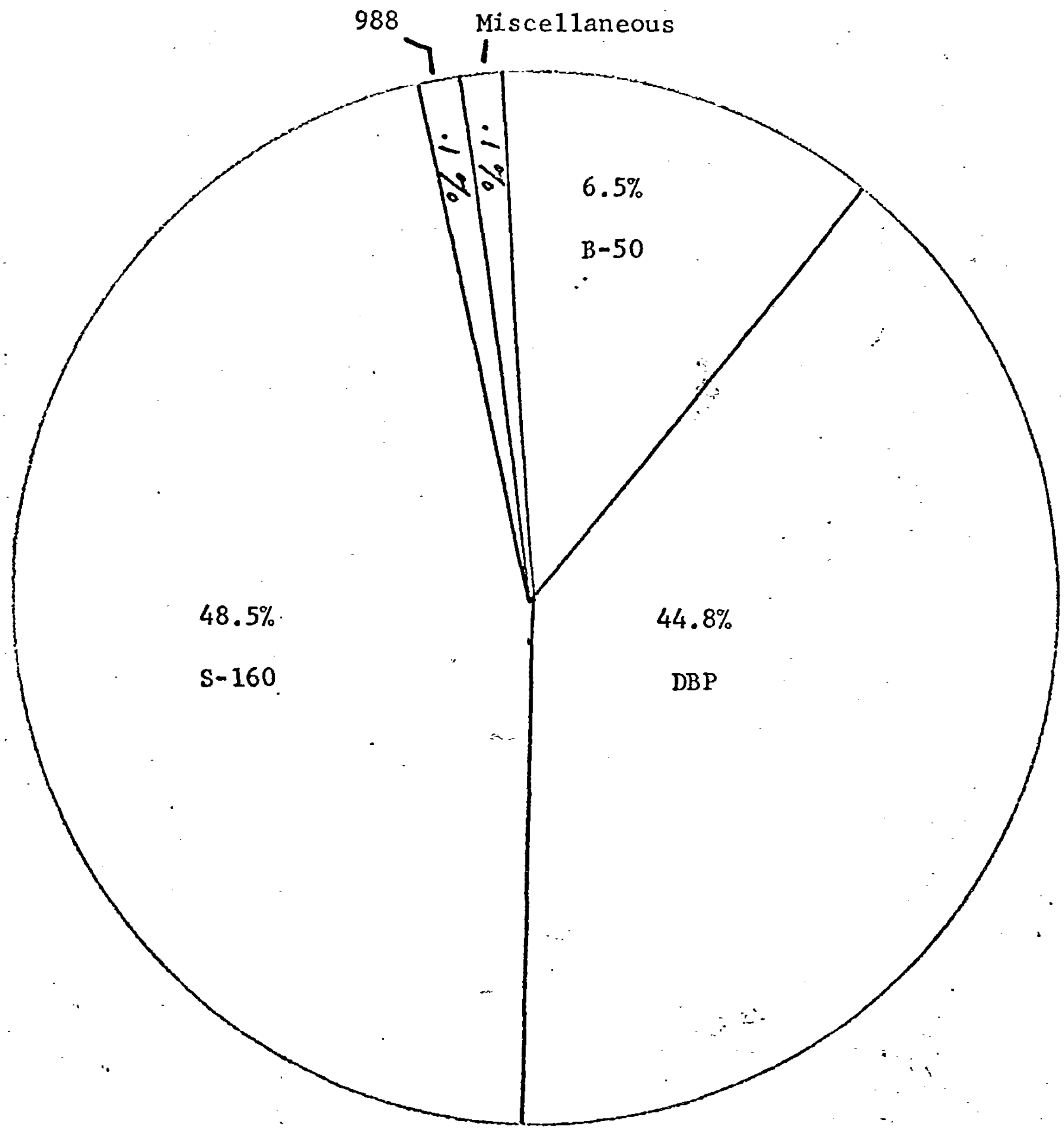
Through rudimentary methods, it has been calculated that there is approximately 10,909,000 pounds of plasticizer consumed in PVAc-type adhesives in the Northeast Region. (Plastisols are not included since they were covered by E. F. Capron).

Of the above 10,909,000 pounds, the breakdown is as follows:

	5,299,000	pounds	-	Santicizer 160
	15,000	pounds	-	Benzoflex 988
	705,000	pounds	-	Benzoflex 50
	15,000	pounds	-	Miscellaneous Plasticizer
	4,890,000	pounds	-	Dibutyl Phthalate
TOTAL	10,909,000			

Monsanto has 48.5% of the total market with Santicizer 160. Seventy-nine percent of this comes from one customer -- National Starch.

PLASTICIZER MARKET = 10,909,000 POUNDS



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Thirty-one percent (1,500,000 pounds) of the Dibutyl market place is made up of customers consuming 50,000 pounds or less.

This is indicative of a number of things and, not surprisingly, this is the size of most of the adhesive houses. They are the "mom and pop" type with limited resources and inventory abilities. Therefore, they use DBP, which has been an industry standard for its performance characteristics over S-160.

COMPETITION

Monsanto's major competition in the Northeast adhesive market place comes from Velsicol (Benzoflex), BASF (DBP), Reichhold (DBP) and a host of distributors with DBP.

Velsicol - Isn't extremely active in the Northeast Region on a direct basis. Most sales are through distributors with the major direct competitive threat being at National Starch, which has intensified with Starch's acquisition of Stein Hall. (1.2$\overline{M}$ pounds of Benzoflex 50 was used by Stein Hall.)

BASF - As indicated in prior chart, DBP is the primary competitive plasticizer to S-160. Since the demise of Hatco, BASF has mounted a major campaign with DBP, offering prices competitive to, or two cents (2¢) a pound less, than S-160 for all of, or a share of, the business. (United Resins is a prime example of this), plus they continually make forays at National Starch. Their having a surplus of DBP, and the knowledge that DBP out-performs S-160, makes them a formidable competitor to Monsanto. Not to be delt with lightly!

DISTRIBUTORS

There are 12-14 identifiable distributors in the Northeast Region. The majority carry DBP in their line with the remaining offering Velsicol's Benzoflexes. Most of them are local distributors and bring mainly to the adhesive market long-term relationship, easy credit and price cutting.

These local distributors often create havoc in the market place and frustrate the efforts of our National Distributors to penetrate the market place at small accounts for the following reasons:

1. National Distributors have basically the same overhead and margin constraints that Monsanto has when it comes to pricing.

2. Credit policies that won't allow them to extend credit to marginal accounts or slow payers.

3. They are order takers and have DBP in their own product lines. Why fight for the virtues of S-160.

Possibly a good local distributor with only S-160 could penetrate the DBP market place where our greatest opportunity to gain market share is. Otherwise, we are in a position of defending S-160 against erosions.

PITFALLS AND PROBLEMS

Dealing with the average adhesive customer is a unique experience that we, as a sales person, don't often encounter in our day-to-day plasticizer sales.

He is the last vestige of the true entrepreneur; his family lives and eats by his decisions. Hence his reluctance to change to new raw materials. One poor decision on a viable product and he goes under: If a failure results, this plus other considerations, makes the customer truly reluctant to effect any change.

Other problems to consider and overcome are:

A. Long Term Relationship - Most of the smaller businesses have friends going back 17-30 years - he helped me start - I owe him - he has money in us - all reasons not to change. These objections can be overcome, but we have to establish ourselves as a friend - their suppliers.

B. Credit - If one starts on a shoestring, no credit - if we want to sell S-160, etc., to small companies, we have to take a chance or extend credit maybe 30-90 days or in the established payment pattern on some of these small outfits (35 days/45 days). Local distributors do this well when it comes to extending.

We should be prepared to possibly take a credit bath on some of these small companies if we deal direct, but most of the companies are solvent and will pay in no more than 45 days. Distributors perform this function well. A major like Monsanto hates to wait for payment

C. Calls and Entertainment - Most of the adhesive customers, while small, require a high frequency of calls and entertainment. While the customer is small in size, it is usually owned by a single person or persons with an ego to be fed. (I am in business because I can do it on my own or, I made a bundle and I will be or act successful.)

D. Pricing - The adhesive customer is extremely loyal to his suppliers after accepting them - yet, he is extremely dedicated to changing suppliers for 1/2 to 1/4 cent per pound (same product). Therefore, this is a major objection to S-160 -- the loss of competitive pricing or control of the situation (?) as an entrepreneur.

Therefore, we have to overcome the problems mainly of credit and pricing before we sell the smaller accounts. They are reluctant to concede the competitive edge (?) by switching to S-160. But more feared, the potential failure of the product they sell. Hence, loss of income for them and family. Most of these companies only sell one product. In light of the foregoing, the following recommendations are made for the Northeast Region.

RECOMMENDATIONS

Some specific recommendations that should be implemented as a result of the adhesive study are as follows:

1. Due to customer mix and size, Monsanto should concentrate only on the top four to five accounts in the region. These being National Starch, H. B. Fuller, Borden, United Resins and U.S.M. The balance of customers, due to size, appears to be drum accounts and should be turned over to our distributors. Per discussions after the Regional Sales Meeting, this is being implemented.

2. Pricing - Since the market is a highly competitive one, Monsanto should pursue a pricing policy of stabilization. Plus, we should seriously consider all the ramifications of meeting competitive situations because the adhesive houses constantly shop prices, which does nothing more for Monsanto than erode margins and cloud pricing situations.

3. Distributors - Our National Distributors appear to be ineffectual when it comes to competing with the small local distributors in the adhesive industry. This ineffectualness is due to the following reasons:

   A. They basically have the same overhead and margin constraints that Monsanto has, thereby, forcing them to sell at list and ignore competitive situations created by a local distributor.

B. They have credit policies that are as constraining as ours, thereby, making them ineffectual when it comes to extending credit to a "mom and pop" operation that is a marginal credit risk. The local distributor often takes more of a risk and gains (maintains) the business.

C. Our National Distributors have too broad a product line. By this we mean they carry competitive products such as Dibutyl Phthalate to S-160. Therefore, they become order takers. Why try and sell S-160 when the customer wants "DBP" and you have it to sell.

A local distributor (like Monson) carries only Monsanto plasticizers and will make the extra effort for the sale.

Therefore, we should consider strongly a local distributor with strong contacts in the adhesive trade who would try and sell S-160, not just take an order.

To Conclude: There is extra S-160 business to be gained in the adhesive market, but the cost of calls and maintenance is prohibitive to Monsanto once we start calling below the top five accounts.

The market place is strictly a distributor business and should be pursued in this manner by either closer relationships with our National Distributors or the creation of local adhesive distributors.

A P P E N D I X

NEW YORK

CUSTOMER	Location	TYPE ADHESIVE PVAc	EVA	ACRYLICS	CELLULOSICS	CO-POLYMER	SIZE PEOPLE EMPLOYED	PLASTICIZERS USED S-160	988	B-50	DBP	DIOP	DNP/ OTHER
Adhesive Products	Bronx	X					50						
Akton Adhesives	Glendale	X	X				10	110000					
Allied Richmond	Queens	X	X				20	100000			100000		
Atlantic Gummed	Brooklyn										800000		
Atlantic Paste & Glue	Brooklyn	X			X		25			20000	220000		
Atlas Coatings	L. I. City	X		X			30				*		
Axel Plastics	L. I. City			X			20				*		
Basic Adhesives	College Pt.	X					10	60000					
Beacon Chemical	New York	X		X		X	2[illegible]	20000					
Berco	Westbury	X					30				*		
Borden	Brooklyn	X	X	X	X	X	200		200000				
Cementex	New York	X					5			*			
Gill Chemical		X			X		10						
Miracle Adhesives	Bellmore	X					115				*		
Northern Adhesives	Brooklyn	X					15	10000					
O. C. Adhesives	Brooklyn	X		X	X		10			135000			
United Resins	Brooklyn	X	X			X	90	250000		250000			
								550000	200000	405000	1120000		

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NEW JERSEY

CUSTOMER	LOCATION	TYPE ADHESIVE: PVAc	EVA	ACRYLICS	CELLULOSIC	CO-POLYMER	SIZE: PEOPLE EMPLOYED	PLASTICIZER USED: S-160	988	B-50	DBP	DIOP	DHP/ OTHER
Acme Adhesives	Maywood	X		X			15				*		
Allied Composition	Clifton			X			20				*		
Applied Polymers	Clifton	X					10				*		
J. L. Armitage	Newark				X	X	135						*
Bond Adhesives	Jersey City	X					30				20000		
Baker	Paterson	X									100000		
Borden	Middlesex	X	X	X	X	X	150			*			
Chemionics	Fairlawn	X	X	X			20	75000					
Clifton	Wayne	X				X	25				*		
Emkay	Elizabeth	X					25				*		
Everseal	Newark	X					10	28000					
Envelope	Newark	X								100000			
H. B. Fuller	Edison	X	X	X	X	X		400000					
H. N. Chemical	Totowa	X		X			10						
Holland	Succasunna	X			X						1000000		
Henkel	Hoboken			X		X	150	5000					
Maas & Waldstein	Newark	X	X	X	X	X	150	40000					
National Starch	Corporate	X	X	X	X	X		4200000					
Talon Adhesives			X	X	X	X							
Titan	Newark	X								100000			
Universal	Paterson	X								100000			
								4748000		300000	1120000		

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NEW ENGLAND

CUSTOMER	LOCATION	TYPE ADHESIVE PVAc	EVA	ACRYLICS	CELLULOSICS	CO-POLYMER	SIZE PEOPLE EMPLOYED	PLASTICIZER USED S-160	988	B-50	DBP	DIOP	DHP/ OTHER
NEW HAMPSHIRE													
Adhesive Machinery	Seabrook	X					80				*		
Anderson Adhesives	Manchester	X	X				5				*		
International Shoe	Nashua	X		X			25				*		
Roymal													
CONNECTICUT													
Darworth	Avon	X		X			75				150000		
Mace	Cromwell	X					5	1000			*		
Swift	W. Haven	X		X			150		15000				
Technical Coating	Avon	X					25				*		
								1000	15000		150000		

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NEW ENGLAND

CUSTOMER	LOCATION	TYPES ADHESIVES: PVAc	EVA	ACRYLIC	CELLULOSIC	CO-POLYMER	SIZE: PEOPLE EMPLOYED	PLASTICIZER USED: S-160	988	B-50	DBP	DIOP	DHP/ OTHER
RHODE ISLAND													
Formulated Resin	Greenville	X					20				*		
Meta Chem	Cranston	X					1				*		
MASSACHUSETTS													
Advance Coatings	Westminster	X					25				*		
Bay State Adhesives	Salem	X					10				*		
USM	Middleton	X	X	X	X	X	400				*		
Compo	Waltham						50				*		
DAP	Melrose	X					600				*		
H. B. Fuller	Marlboro	X	X	X	X	X	1200	200000	200000				
T. H. Glennon	Middleboro	X					10						
Magi Chemical	Brockton												
Nickleson	Cambridge	X					45				*		
Olympic Adhesives	Norwood	X					20				*		
Tigron	Stoughton	X					5				*		
Transworld	Rockland	X					55				*		
Upaco	Hyde Park	X					140				*		
Waterlac	Danvers	X					60				*		
								200000	200000				

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