

Q&A with Delany Products

Building on reborn company with clear focus

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Twelve questions with Scott Delany, vice president of Coyne & Delany Company.

1. Please provide a brief history of the company.

Coyne & Delany Company was born in Brooklyn, N.Y. It was in 1879 that John J. Delany decided to risk



Scott Delany

the job security of being a horse-drawn streetcar driver to — along with his partner, Thomas Coyne — found a manufacturing company of plumbing products. In those days, the business manufactured copper-lined wooden bathtubs and wooden overhead tanks for water closets. By the early 1900s, a wide variety of plumbing products were being produced, among which were cast iron bathtubs, brass plumber's trim, wooden flush tanks and fittings and ballcocks.

By the 1900s, the product line had expanded to the point where Tom Coyne and John Delany were starting to see the fruits of their labor with their salaries rising to \$25 per week. Then in 1910 Tom Coyne suddenly died. The Coyne family, with no male heirs, sold their interest in the business shortly afterward to John Delany. It was in 1928 that the company designed its diaphragm-operated first flush valve, the Flushboy, considered to be the simplest (and thus most reliable) design for direct pressure flushing.

The company suffered like the nation through the Great Depression. Over this time and leading up to World War II, many design improvements and Delany patents refined our basic diaphragm flush valve to where it required only six moving parts. Slowly, the copper-lined bathtubs and other product lines were replaced by the flush valve line. At this time, Coyne and Delany was a leading manufacturer in the Mid-Atlantic

and Northeastern states. World War II brought such huge demand for flush valves that by the end of the war the company was no longer just a regional supplier, but a national manufacturer specializing in diaphragm flush valves.

In 1969, Coyne & Delany moved from its home on Kent Avenue in Brooklyn to Charlottesville, Va., where they purchased 7 acres of land and built an expanded state-of-the-art manufacturing plant. At this time, the transition to the company's fourth generation of family ownership and leadership was underway. In 1979, the company celebrated its 100th year in operation. A huge accomplishment shared by only a few other American companies.

In the 1990s, as globalization began changing the world economy, competitors began importing cheaper produced products from overseas. These firms changed the commercial plumbing landscape forever, often by grabbing market share via discount price strategies, and not based upon quality. These imported products posed a significant threat to smaller



At left, the Impulse hands-free system installs easily with no electrical hookups and operates for years on one lithium battery; while the SmartHandle retrofit converts a flush valve to dual mode operation to reduce water usage as much as 30%.

ping point. As other firms absorbed the commodity price increases, the small family-run Delany saw slim margins erode into losses. The culmination of this was probably the darkest day in company history when it was forced to close its foundry in November 2007 and lay off two-thirds of its workforce.

As the company limped along in 2008, a rebuilding plan was underway. The company's rebirth began in 2009 following a restructuring in the early part of that year, which resulted in the company cutting to the bone. Another 40% of staff was laid off and management took pay cuts. During this time the company transitioned itself to a lean efficient model that was focused on R&D, marketing and distribution, while 100% of assembly and 100% of product testing were performed in Charlottesville, Va. The company also took on its first ever financial officer.

In the fourth quarter of 2009, the company unveiled its new name and logo, Delany Products, providing a clean, simplified image of "Changing for the Better." By that time, the implementation of a new state-of-the-art CRM system was already under way, and the company began to add back employees. The company also set up both an Advisory Board to instill proper corporate governance as well as its first-ever Representative Advisory Board

in order to get better feedback from the market. For 2010, the focus for the company was timely deliveries in order to rebuild the faith in the company. After successive years of losses, the company turned a profit in 2010 and with new products coming in 2011, the future is brighter than ever.

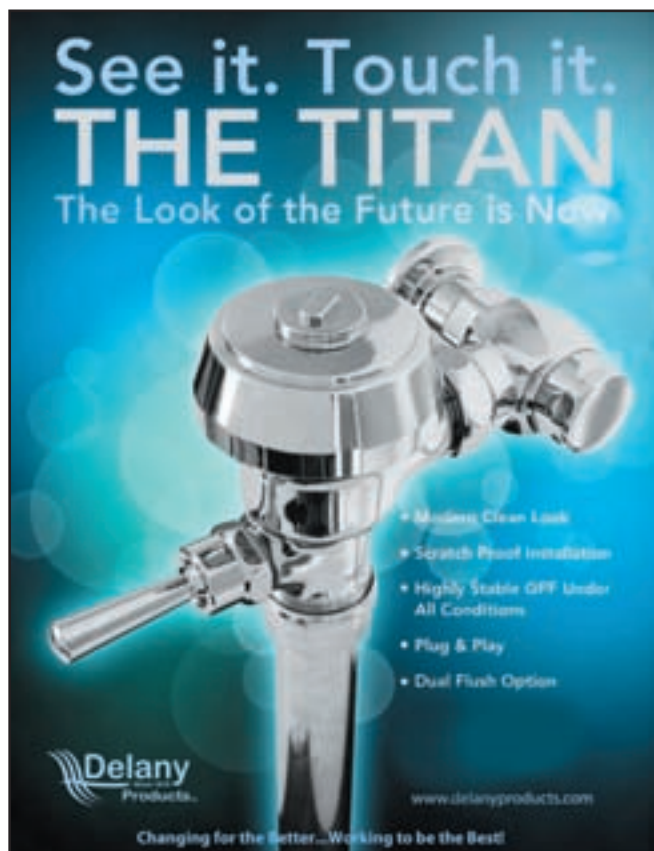
2. How did you get involved in the industry?

Honestly, I have never been in the industry. I have never worked for the company and in fact I have been living in Asia, working in Japan since 1997. My career took a very different path from my brothers. But it has been from this vast wealth of experiences that I am now drawing on to help the team today. I started on the floor of American Stock Exchange before becoming an original member of a global brokerage firm called TIR in 1987.

Having built TIR from scratch, we sold ourselves for \$125 million to E*Trade. Along the way, I moved to TIR/E*Trade's Tokyo office to run the trading desk there. From there, I left to establish a Real Estate investment fund, investing and running small to medium sized hotels throughout Japan. Our focus was creating a high-end product at an affordable price while establishing our new brand.

During this time, I was not aware of the magnitude of the company's downturn. I first became aware of the problems in 2008 and began consulting from Japan at night. By the end of that year, I saw the opportunity to return and help turn this sleeping giant around.

3. Explain your involvement in (Turn to Delany... page 18.)



Delany Products is moving ahead with new products for today's market, such as the innovative Titan flush valve.

family owned U.S.-based manufacturers like Delany.

As these changes were occurring, the old Coyne & Delany struggled to adapt. The run-up in copper prices in the mid-2000s provided the final tip-