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Rolling along

Action Bearing Co.



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Steven Katz implemented a national niche marketing strategy after some of Action Bearing's core industry markets in New England dried up.

Bearings distributor sustains business through niche-marketing strategy

BY SEAN MCFADDEN
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It's the type of old-line business that is sometimes easily overlooked in the current economy. But step inside Action Bearing Co.'s 26,000-square-foot warehouse in Boston, and you'll find ample evidence of an industrial distribution business that keeps rolling along after more than 50 years.

Shelves are lined with product — the company inventories between 15,000 and 20,000 items, according to President Steven Katz. Its primary product offerings are ball and roller bearings that Action Bearing and its sister company, Emerson Bearing Co., sell mainly to

original equipment manufacturers, and maintenance, repair and operations organizations in New England and nationally and, in some instances, internationally. Both entities operate under the umbrella of Bearing Enterprises Inc.

The company sources the product from a core group of between 25 and 30 manufacturing outfits in the U.S., Europe and Asia. End-user applications for the bearings are as far-ranging as golf carts for the recreation industry and gear boxes for the U.S. Navy.

Its longevity and geographic reach are no small feat considering that changes in the marketplace have forced the 21-employee company to reinvent itself continually over the last 20 years.

"We rethink the business every day," said Katz, 62.

ACTION: Keeping its bearings

The company was co-founded in 1957 by Steven's father, Justin Katz, and Edward Greene, who continues to serve in an advisory capacity. Greene's son, Steven Greene, currently serves in a sales and marketing role. It began primarily as a distributor of bearings to New England businesses that built or repaired machinery. Simultaneously, under the name Emerson Bearing, it sold wholesale to other bearing companies nationally the product it was importing from Japan. This was a far smaller piece of its business.

Growth chart

Name: Action Bearing/Emerson Bearing

Business: Industrial distributor of ball and roller bearings

Headquarters: Boston

Revenue: \$7.65 million

Principal: Steven Katz, president

This strategy worked well for the company until the 1980s, when certain New England industries it had relied on, such as leather, shoe and paper, began to evaporate or moved to other parts of the country or offshore.

By the time Katz became president in the early 1990s, the company faced a serious question: Would it need to downsize? But Katz, who said most of his employees had at that point been with the company for 15 years or more, considered their collective experience too valuable to lose.

Instead, the company decided to implement a niche marketing strategy

that would enable it to broaden its business by targeting and selling directly to certain industries it had had success with in New England on a national level.

Today, the company focuses on about 16 niche markets, including electric motor repair; machine tools; material handling; metal processing; packaging/food processing; pump, compressor and oil field; recreation; robotics and automation; and transportation.

The strategy required a shift in mindset for his sales team, as they'd each be responsible for actively marketing to a handful of key industry segments.

"That was a bit of a struggle at first — to get people used to not just be order-takers, but order-makers," said Katz.

The company then gradually built its national customer base through a mix of efforts — cold calling, direct mail, trade magazine advertising, trade shows and the Internet. The company's website underwent a major revamp late last year to become more of what Katz refers to as an "engineering catalog," detailing the company's products and addressing technical questions.

Dave Scaltreto, inside service manager at client Williamson New England Electric Motor Service Corp. in Chelsea, said a couple of key things stand out to him about Action Bearing: "Their knowledge of the products they sell. And, they have a fantastic inventory."

Today, the company is seeing a 50/50

split in business coming from Action Bearing and Emerson Bearing. Those ratios were about 70 percent Action Bearing and 30 percent Emerson Bearing a decade ago, said Katz.

"We've stayed in business by spreading our wings around the country and trying to be experts in (certain) markets," said Katz.

At the same time, the company has not been immune to the impact of the recession on its bottom line. Total revenue for the company dropped to \$7.65 million in 2009 from \$9 million in 2008. For 2010, Katz is projecting approximately \$8.1 million.

Ann Arnott, vice president of programs and services at the Chicago-based Power Transmission Distributors Association, said that distributors have a key value proposition, even in a down economy.

"Distributors have their feet on the ground where the customer is," she said. "They're not actually making the product, but they're helping the customer use the product in a way that provides efficiencies to the end-user by providing that technical expertise."

Katz said his company is emphasizing the service aspect of its business by maintaining a high level of knowledgeability about its products, catering inventory to its key industry segments, and having a warehouse manager on call 24 hours a day for emergency service.

"We don't want our products to just be a commodity," Katz said. "We've tried to overcome that by backing up the pricing with tons of service."

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