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Business is booming at Cincinnati packaging firm Zumbiel

Business Courier of Cincinnati - by Jon Newberry Staff Reporter

Some business leaders who undertook expensive expansions when the economy was booming a few years ago might wish they hadn't, now that growth has gone into reverse. Officials at Norwood-based Zumbiel Packaging aren't among them.

Zumbiel began relocating its beverage packaging plant to Hebron in 2005 after selling its Cleneay Avenue plant in Norwood to Xavier University. While economic turmoil has left Xavier without a clear plan for the site, the move has proved to be something of a godsend for Zumbiel.

A major producer of paperboard packaging - lots of 12-pack cartons - for the beverage industry, Zumbiel knew it was landlocked and needed to expand. But it couldn't have known that an unpredictably deep recession would hit the U.S. economy, paradoxically boosting demand for its products.

"As far as the recession, over here you would never know there's a recession. We've never been busier," said Ed Zumbiel, vice president of beverage packaging for the family-owned company.

Its Hebron plant west of the Cincinnati/Northern Kentucky International Airport is now operating three shifts a day, seven days a week. The downturn is actually helping its sales, because more people are eating and entertaining at home instead of going out, increasing consumer demand for canned beverages.

"We've had double-digit growth for seven out of the last 10 years. This year, it's been too much growth," he said.

A confluence of factors led to the company's decision to build a new plant. Xavier wanted its land and was willing to work with it on the timing. That was a key to avoiding a disruption of its business, Zumbiel said. It also was buying a new press that wouldn't fit into its existing building.

"We would have had to use up the last bit of space we had. We were completely landlocked," Zumbiel said.

"We didn't have room for all the things we wanted to do to increase productivity. So we were faced with either a major expansion to a building that wasn't optimal to begin with," or a move to a new location.

In its 320,000-square-foot facility in Corporex Co.'s Gateway Industrial Park in Hebron, all of its production lines are laid out in straight lines, side by side. The end result is greater efficiency with less manual handling of the finished product ... and fewer workers. And now it has plenty of room for expansion.

Practical considerations

Dan Tobergte, president and CEO of Northern Kentucky Tri-ED, a regional economic development agency, said it helped facilitate Zumbiel's move after it contacted Tri-ED about its real estate needs. Typically, a key need in such situations is a relatively level site that's large enough for a single-floor facility with room for expansion, Tobergte said. Proximity to interstate highways and the Interstate 275 loop is another key, along with proper zoning and utilities. Employers are very cognizant of the need to retain employees who will have to commute to a new location, he said. Government financial and tax incentives also come into play, but they're usually secondary, Tobergte said. "We wouldn't offer them if they weren't important to the deal," he said.

Zumbiel ended up making the move over two to three years, one production line at a time, so that it could maintain output during the transition. It takes a couple months to move each press, so shutting down and moving them all at once wasn't practical, Zumbiel said.

Still headquartered in Norwood, the company is the largest U.S. supplier of beverage packaging that doesn't produce its own paperboard. Only two so-called "integrated" suppliers are bigger, Graphic Packaging Holding Co., which operates three facilities in the Tri-State, and MeadWestvaco Corp., which now does business as MWV. Altogether, the top three suppliers make 98 percent of the packaging for the U.S. market, Zumbiel said. Graphic Packaging has a large manufacturing plant in Evendale that makes six-pack carriers for beer companies. Together with Zumbiel, that makes the Cincinnati area one of the largest centers anywhere for manufacturing paperboard beverage packaging, he said.

Zumbiel's finished goods warehouse in Hebron holds up to 75 million 12-pack equivalents. That's only a two- to three-week supply at this time of year. Sixty percent of the plant's output is so-called "fridge packs" - cartons for 12 cans stacked two-high and six-deep.

The company does only a small amount of beer packaging but wants to grow that business in order to diversify. It's focusing on innovation, not price, to increase market share, Zumbiel said.

"The only route out of a price war is innovation," he said.

Zumbiel also makes other packaging at its Harris Avenue complex in Norwood that includes its corporate headquarters. That plant is smaller than the one in Hebron - about 100,000 square feet - and makes packaging for pharmaceutical, automotive (oil filters and spark plugs, for example), frozen food and detergent products. Those products tend to be lower-volume than Hebron's, but with higher margins.

The company employs about 160 people in Hebron, plus some seasonal workers, and about 250 in Norwood, including both manufacturing and corporate functions. It's been hiring in Hebron - skilled press operators and fork lift operators, among others.

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It's also planning to shift some administrative employees from Norwood later this year after completing a build-out of office space in an unfinished part of the Hebron facility. Kentucky granted it up to \$3.7 million in job-creation tax credits in 2004 that are tied to the number of new jobs it brings to the state.

Streamlining operations

On Cleneay Avenue, Zumbiel operated in a "hodgepodge" of five or six interconnected buildings. In Hebron, it's all on one floor.

Joe Rozier, a senior project manager at Amend Consulting, which has worked with Zumbiel, said companies typically realize immediate efficiencies when they move from older, multiple-story facilities to new single-floor plants that can be laid out precisely to their specifications.

"There can be a lot more planning up front rather than dealing with legacy structures and layouts," Rozier said. "You can, in effect, start over."

Todd Bello, a project manager who has worked with Zumbiel at the plants in Norwood and Hebron, said the newer plant eliminates waste - of material, time and product movement. It also cuts down on lost product because visibility is so improved. The efficiency differences between the older Harris Avenue plant and the new Hebron plant are great, he said.

Zumbiel said a decision on the remaining production in Norwood is complicated. It doesn't have to be with the other plant and could stay in Norwood, he said.