

# Success leads BCS Industries to grow via acquisitions

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by Michael Paulk

Several years ago, Joseph A. Higdon had a vision of what a successful steel processing company should be.

Tuesday night, his vision was affirmed when **BCS Industries LLC**, the company he co-founded and serves as president of, was recognized as the 2003 Small Business of the Year in the 76-350 employee category at the 23rd annual Memphis Business Journal Small Business Awards.

Higdon's dream included taking a facility which had struggled under the umbrella of a large player in the steel industry, his former employer Laclede Steel Co., and refocusing it on processing steel for a very focused niche of manufacturers.

But that was easier said than done.

"The steel industry is very difficult to be profitable in, day in and day out," Higdon says. "It's very capital intensive and very labor intensive."

But Higdon thought he could make the company perform better if it concentrated on serving a more narrow group of customers.

"We redefined the markets we wanted to serve and that was the fastener business," Higdon says.

The niche BCS fills is providing rolled wire in various gauges and strengths to companies in the fastener industry that make everything from finishing nails to bolts to small-finned darts found inside cluster bombs used by the military.

Its highest quality wire, produced through a process known as "cold heading," is used to make fasteners for the aerospace and automotive industries.

His firm, originally known as Bluff City Steel, started off small in 1996 -- with only three employees including himself and sales of just \$26,000 the first year. Today the company has grown into a multi-site operation with more than 165 employees and projected revenue of more than \$90 million.

About 70% of the plant's feedstock comes from three major vendors, including suppliers in China. Part of his company's competitive edge has been its ability to cheaply source quality materials from all over the world, Higdon says.

The central location of Memphis magnifies his company's ability to get products, with about 90% of inbound shipments coming via rail or barge at competitive rates.

Plant manager Tab Watters says the company processes about 7,000 tons of steel each day.

Preparation includes a dip in an acid bath to remove any rust and impurities that might have built up on the unfinished steel. It's then dipped in several other enormous tanks filled with soap and zinc coatings.

Watters says the company is able to consistently provide wire that meets customers' specifications because it has invested heavily in technologies like a \$100,000 computer system which controls ovens -- big enough to hold a tractor trailer -- where steel is heat treated to strengthen it.

In the last two years, Higdon's company has been able to expand through the acquisition of two financially troubled operations in Ohio: Cuyahoga Steel & Wire LLC in Solon and Metal Processing Corp. of Maple Heights.

Those plants do essentially the same things as the Memphis operation. Higdon says his company is currently in negotiations to potentially acquire another competitor as he looks to consolidate what has become a very fragmented marketplace.

In the end, as BCS grows it will eventually begin to consider expanding its focus to other markets.

"We'll have to look at some kind of lateral diversification," Higdon says.