

THE MANAGERIAL STRATEGY

ABOUT DIVERSIFIED PLASTICS INC. Diversified Plastics is a profitable Minnesota company with a longstanding and deeply loyal workforce. When Kevin Hogan, CEO, arrived to take over management of the company from retiring owner Jim Dow in 2017, six of the 60 employees were members of the “baker’s dozen” of employees who had joined the company at its founding 40 years earlier.

THE CHALLENGE. Looming over discussions, however, was Diversified’s long-term objective to reduce the company’s reliance on two customers that were responsible for 60 percent of the company’s sales. Diversified had delivered five to six percent growth in recent years, but the fact that the company had grown to only \$13 million after 40 years in business indicated the company had not aggressively pursued revenues.

MEP CENTER’S ROLE. Enlisting the consultative help of Enterprise Minnesota, part of the MEP National Network™, members of the management team also had to identify a market niche that would differentiate it from America’s 4,000 injection molders. If they didn’t, Haarstad said, their products would quickly devolve into markets based on price alone.

Haarstad advised that Diversified would have to identify how to be different. “It’s an important part of strategy to not just blend in,” he said. Hogan, Haarstad, and an internal team including Annette Lund, vice president, set out to define Diversified’s value proposition. Over the years, the company had developed a niche around its willingness to take on short-run production, to work on highly-engineered projects, inventory resins and finished goods that competitors would be unwilling to accommodate, and to provide in-house tooling, also unusual in the market.

Hogan wanted to emphasize a company attribute that was revealed during his own buyer interviews: Customers genuinely liked the way they were treated by Diversified’s employees. “It came through loud and clear,” Hogan says. “They even mentioned people by name.”

Hogan says it represented a definite market advantage. “Once a customer has found a supplier that they work well with, it’s a sticky business to move. It’s a pain for customers to move a tool and to re-qualify a supplier and get them to ramp up and all of that. The simple but powerful aspect of being nice to our customers is good for retaining long-term business.”

Beyond that, the company decided to focus primarily on three target markets that matched up well with Diversified’s capabilities: industrial water filtration, a \$9 billion market; industrial including avionics and aerospace, a \$20 billion market; and medical devices, a \$350 billion market.

“The project with Steve was forward-looking. While we have not seen sales increases over the past 12 months we fully expect to see increased sales over the next 12-24 months. The investments we have made over the past year are intended to fuel & support the growth in revenue. Steve has been a great partner in this project.”

-Kevin Hogan, CEO

RESULTS



\$350,000 in increased investments in plant and equipment



\$200,000 in increased investments in new products/processes

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