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When It Comes To Customer Service, Paragon Continues To Raise The (Steel) Bar

By **Chad Greene**
Staff Writer, Long Beach Business Journal

This article appeared in the May 24, 2005 issue of the Long Beach Business Journal, an issue devoted to the corporate makeup of the city of Long Beach. We were surprised and flattered that the LBBJ was so complimentary and, of course, very accurate. And we thought, 'Wow, we couldn't have said it better ourselves.' So here it is reprinted with only minor editing for length.

If you're determined to forge a new type of steel distribution company, one dedicated to achieving higher levels of customer satisfaction, who better to partner with than a former customer. That's the choice Doug Carpenter made in 1988, when he co-founded Paragon Steel with Jim Stavis.

"Jim was a customer of mine," Carpenter reveals with a smile.

After 16 years at the helm of a firm that manufactured automotive products, Stavis had decided that he was ready for a change, but wasn't sure which direction to take until he sat down for lunch with Carpenter, his former steel vendor.

"I said that I was looking to start another business, and he said, 'Well, that's interesting, because I'm looking to start up my own steel

(Continued Inside)



Paragon Steel President Doug Carpenter, left, and Vice President/CFO Jim Stavits at the firm's Long Beach headquarters.

company,” recalls Stavits, now Paragon’s vice president and CFO. “Doug had steel-industry knowledge and an active customer base. A lot of my background was in marketing, and I had done all the purchases [at my previous firm], so I had a perspective on what it was like on the other side of that desk.”

That combined understanding of both sides of a transaction tempered Carpenter and Stavits’ drive to make steel distribution a more customer-driven business.

“A lot of the things that we kind of started were founded in what a customer would like to see in a steel distributor,” Stavits says. “That’s really what we focused on very much from the beginning: how to satisfy a customer’s expectations.”

At the time, Carpenter and Stavits say,

this was something of a novel concept.

“Back when we started in ’88, there really wasn’t – in our industry – an emphasis on service. It was really influenced by the vendor’s rules, not the customer’s rules,” says Carpenter, Paragon’s president and CEO. “So we were able to differentiate ourselves pretty quickly.”

“When we started, the levels of service that we were providing were quite unique,” Stavits says. “But our competitors began to move into those areas, so it wasn’t as unique anymore. We used to pride ourselves on being able to deliver to somebody the next day, which at that time was highly unusual, but now steel companies can not only deliver next day, they can also deliver the same day. So we had to expand the service model to provide new services that would

add value to that which we were already providing.”

About five years after founding Paragon, Carpenter and Stavits decided to launch a fabrication division offering an array of production services such as stamping, blanking, forming, punching, plate bending, welding and angle rolling. The division has a strong focus on the construction field and the fabrication of engineered parts. In recent years, Paragon has built everything from the steel-framed VIP Tunnel at the upscale waterfront venue V20 to the stainless-steel ducting for an exhaust has pipeline at the THUMS Long Beach power plant on Pier D.

“It was mainly customer-driven,” Carpenter says of the creation of the fabrication division, “with customers coming to us and asking us if we could help them with some more services.”

The division has grown to the point that Paragon now has as many employees working at its fabrication facility in Placentia as it does in its Long Beach offices. The company employs additional workers at its warehouse in the City of Commerce, where it recently opened a processing shop with equipment designed to augment the existing capabilities of the Placentia plant.

“Our company, when we started, was just four people. We were located over Quinn’s Pub in Belmont Shore,” Carpenter recalls with a chuckle. “We couldn’t operate one St. Patrick’s Day, ‘cause Quinn’s Pub was so noisy we couldn’t talk on the phone.”

Paragon’s offices have moved several times since then, but never past the city

limits. They are currently located on Santa Fe Avenue near the 405 Freeway. “Long Beach has been very good to us,” Carpenter says. “We’ve made a conscious effort when we’ve moved to stay within the City of Long Beach.”

FLEXIBILITY KEY IN A MALLEABLE MARKETPLACE

Because steel is a commodity, Paragon faces a market every bit as malleable as molten metal. In such an environment, Stavits and Carpenter agree that flexibility is the key to, not only surviving but also thriving.

The price of steel increased by over 30 percent in 2004, allowing Paragon to ring up about \$25 million in sales and eclipse the \$20-million mark for the second year in a row.

Because prices were inflating last year, they had to carry a larger inventory than normal to protect themselves from rising costs. “Prices have now receded, so you don’t want to be caught with too much high-priced steel on your floor,” Stavits says. “So, we’re being a little more conservative inventory-wise, in 2005 than we were in 2004.”

“Because we have a broad base of products, we’re not limited just to beams or to sheets,” Stavits explains. “Many of our competitors are focused strictly on one area, and if that area drops off, they have nothing else to turn to. We can shift in and out of markets.”

Still, Carpenter and Stavits’ primary focus isn’t on the price of steel, but the added value they can provide for their customers. “You have to be sensitive to price, because that’s always there,” Stavits

says. “But a lot of our success has been created by the added value that we provide, so we try not to be overly priced-focused.”

“In a rising market, often times we’ll negotiate a flat price with a mill and offer our customers some protection from that,” Carpenter says. “In a declining market, we’ll negotiate a price with the mill and then pass on any verifiable mill decreases that happen, so the customer doesn’t have to worry that they’ll be locked in at a high price. So we really work hard to protect them at both ends.”

Such obvious concern for their customers is what has allowed Carpenter and Stavits to remain competitive in an industry increasingly dominated by larger, publicly owned companies.

“When we started, there were a number of smaller steel companies in Southern California,” Carpenter says. “And many of those companies have either merged with larger companies or gone out of business, and now we’re really faced with some mega-companies as competitors that are either internationally-owned or conglomerates.”

In a way, however, all of that consolidation has actually made it easier for Paragon to succeed in the industry, he says, “because they’ve lost that personal touch.”

Many steel distributors, Stavits points out, measure their success largely in the number of tons they move each year. Paragon doesn’t even track that statistic. “It’s not all about tons or dollars,” he says. “We really measure our success more in terms of the customers and our ability to expand with them. That’s more of a measure of how well we’re doing, and we’ve been fortunate that our customers have brought us into a lot of different areas.”



Stainless-steel ducting at the THUMS Long Beach power plant



Stainless-steel ducting at the THUMS Long Beach power plant



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