

## **Brooklyn Park firm hedges against the downturn**

By **TODD NELSON**, Special to the Star Tribune

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Nystrom Building Products, the 60-year-old, family-owned company based in Brooklyn Park, has supplied materials for some of the world's most recognizable structures -- including the tallest: the Burj Dubai Tower.

But even without a view from atop the 2,036-foot-high skyscraper, Nystrom CEO Scott Sustacek can see the economic downturn preparing to hit the commercial construction market in which the company specializes.

"Ours are late-cycle products," Sustacek said of the Nystrom roof hatches, smoke vents and access panels that typically are among the final components to go into a commercial project. "We're still riding the wave; today we're doing quite well. We know we'll see more of that headwind. We're starting to see the growth slowing."

Bracing for possible leaner times, Sustacek in recent years began assembling a plan to keep Nystrom growing: ramping up strategic partnerships to expand product lines and extending international operations, focusing on major construction projects in the Middle East.

Nystrom representatives, for example, have spent a lot of time in the Middle East, where commercial construction is going strong. The company recently named a full-time international sales manager, a position that involves three to four months of travel a year, said Sustacek, who this month is making his third trip to the Middle East in the past three years.

"It's a different experience, a different market," he said. "We want to show that, from the top of the organization, the company is interested in the relationship."

The Dubai Tower has \$100,000 worth of Nystrom's fire-rated floor doors, which provide floor-to-floor access to utility, mechanical or other fixtures typically kept behind closed doors.

A next step in the Middle East, Sustacek said, is to identify manufacturing partners in the region and move some production there. That would shorten shipping times, reduce costs and improve margins.

In this country, Nystrom has smoke vents and wall and corner joints in the new TCF Bank Stadium. It also has products in the Mall of America and in the White House press room, Cape Canaveral and Bagram Air Force Base in Afghanistan.

Customers include giant contractors Kraus-Anderson, Mortenson, Adolfson & Peterson and Ryan Companies.

Domestic growth, too

To boost domestic growth, Nystrom recently acquired Arden Architectural Specialties of New Brighton, a 20-year-old provider of entrance systems and wall and stair components for commercial and institutional buildings. It was Nystrom's fourth strategic acquisition in three years.

The Arden acquisition gives Nystrom expertise in developing sustainable building products and manufacturing processes. The Arden brand name continues under Nystrom ownership.

Nystrom has 170 employees, most working in its 61,000-square-foot headquarters, which has 45,000 square feet of manufacturing space to produce roof hatches, access doors and floor hatches. Arden has 25 employees working in a 30,000-square-foot manufacturing plant.

The other acquisitions are Cesco Products of Brooklyn Park, which makes louvers and other products, and Babcock-Davis Hatchways, a Boston-based manufacturer of roof hatches and smoke vents.

Nystrom has 15 product lines in what otherwise is a fragmented "complementary building products" industry. Most competitors specialize in a single line or have a small number of products, Sustacek said.

Nystrom created the complementary building products category during a rebranding process it went through in 2003, Sustacek said. The category previously had been known simply as "miscellaneous items." Nystrom wanted to convey that it carries more product lines than most companies in the market.

"Our products aren't sexy, but they're needed in almost every commercial building," Sustacek said. "We met with some marketing people to see how we could get a share-of-mind with the customer."

The rebranding also produced the phrase "right to site" to describe Nystrom's way of doing business, Sustacek said. Like the "just-in-time" model many retailers and other manufacturers use, Nystrom's "right to site" approach means configuring products to meet customer specifications and getting them to job sites on time and in place.

### **What one analyst says**

Avinash Malshe, assistant marketing professor at the University of St. Thomas Opus College of Business, said Nystrom appeared to be well positioned for a downturn in commercial construction because of its numerous product lines and creation of the

"complementary building products" category.

"This allows them a broader product portfolio, which is always a good idea," Malshe said. "You can offer a comprehensive solution and become kind of a one-stop shop for your customer. It also allows you to form stronger relationships in the longer term, and then you tend to become a strategic partner."

Stronger relationships also will boost Nystrom's international expansion, he said. Besides having its CEO and international sales manager travel to the Middle East, the company should seek to develop relationships at multiple levels with its customers in the region.

"It builds multiple bridges, more of a network kind of a structure," between companies, Malshe said.

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