

# nexAir Builds for the Future

YOUNG MANAGEMENT TEAM TAKES THE REINS OF SIXTY-SEVEN YEAR OLD “SUPER REGIONAL”

*CryoGas International* Interviews **Bob McEniry**, Chairman of *nexAir*

Industrial gases and its related equipment and technology are largely supplied through a network of distributors in the United States. For many years, these distributors were typically modest, independent and often family-owned businesses that serviced a relatively small geographic area. Over the past twenty years, these distributor-type businesses have undergone a period of consolidation. New technologies, including advances in cylinder fill, transportation and tracking, and more sophisticated business management tools made available through information technology, have enabled the small distributor to become more efficient and therefore larger. At the same time, several major gas players have exited the packaged gas business in the US, thereby widening the distributor’s market potential. Through this period of consolidation, a select group of distributors has managed to grow well beyond the regional level, to become “Super Regional” companies. Typically, these companies have revenues in excess of \$100 million dollars.

There are only a handful of super regionals in the US today. Among them is *nexAir*, a Memphis, TN based company with revenues over \$100 million and a dominant factor in the industrial gas markets in the southeastern United States. *nexAir* has several characteristics that distinguish it from other distributors, most notably its abundance of young talent. *nexAir* recently named young officers to leadership positions as part of its strategy to ready the company for continued expansion. (See Industry News, *CryoGas International*, January 2008, pgs 11–12.) Remarkably, as long time CEO Bob McEniry and President Bill Vaughan step aside, *nexAir* will have in place a new top management team with both longevity and youth.

We interviewed Bob McEniry, who has been with *nexAir* for 44 years and will remain as Chairman, to gain insight into how this small Tennessee welding supplier grew into one the nation’s premiere suppliers of industrial gases and related equipment and technology — and kept the young talent on board all the way.

***CryoGas International (CGI): nexAir is a larger company than most in the industry. Your company has had a reputation for growth, employee stability, and a unique skill in attracting young, educated management. All of your top management seems to come from within. You seem to be constantly pulling managers out of a pool. Is that a fair assessment, and is this consciously done with a strategy, or plan?***

**Bob McEniry:** We do have a philosophy of growing our own tal-

ent. We have done a lot of trainee recruiting over the years and have been very fortunate to develop talent from within our company. It is a conscious effort and we have done it methodically for years. Longevity is also a goal. Currently 73 of our 325 employees have more than 20 years with the company. Of those, 40 have more than 25 years.



*nexAir* Chairman Bob McEniry (L), 44 years with the company, stands with Bill Vaughan (center), and Scott Heppel (R). The group has had ownership interests in *nexAir* and make up the Office of the Chairman. Bill Vaughan has served the company for 37 years and became *nexAir* President in 1996. Scott Heppel is CFO and has been involved in the business for 27 years. In the background is a portrait of R.Q. McEniry, a first generation member, who worked 77 years in the industry.

***CGI:* Please give us a little background on the history of *nexAir*.**

**McEniry:** *nexAir* dates its birth to 1940. Founded as Standard Welders Supply, the business began in Memphis as a distributor for the Linde Air Products Company, a division of Union Carbide, which later became Praxair. For clarity, I’ll use the name Praxair, or Praxair/Linde, so as not to confuse Linde Air Products with the modern day German-based Linde. Standard’s mission was to distribute gases and welding supplies to small users in the metropolitan area and to customers in the rural areas of Tennessee, Arkansas, and Mississippi.

***CGI:* We understand that you are a second generation participant in the business. Did your family start the company?**

**McEniry:** No. My father was a career person with Linde/Praxair. He was moved to Memphis in 1942. Standard was a floundering company and one of his assignments was to find a new owner. Actually, during the next eight years, the company changed ownership two more times. In 1950, when he had run out of prospects to buy the company, his potential prospects told him that, if he thought the company was such a good deal, he ought to buy it. So after 26 years with a large company, a little cash, and a lot of determination, my dad bought Standard. Dad was the first owner of Standard that really knew anything about the business. Consequently, his purchase was an immediate success and the company grew rapidly.

In addition to organic growth, the company also developed by acquisition. Our largest single surge in business was in 1996 when we merged Standard with Mid-South Oxygen and adopted the name *nexAir*. Mid-South was a family business similar to ours. Owned by the Heppel family, it was run by Chip Valentine, Scott Heppel, and Chris Heppel. The combination with Mid-South increased our business by 60 percent. As competitors, we had overlapped in a lot of markets and had similar product offerings. Mid-South, like Standard, had also been acquiring smaller companies. Following this amalgamation, *nexAir* has continued to make acquisitions. During our entire history, we have purchased 26 companies.



*nexAir* recently renovated its eight acre Plant and Distribution campus located fifteen miles from the *nexAir* headquarters. Situated near the Interstate Highway system, this complex processes and distributes gases to all the facilities in the six state *nexAir* system.

**CGI: When and how did you become involved in *nexAir*?**

**McEniry:** I worked a little during the summer in high school and college but my official start date was July 1, 1963.

**CGI: Did you always plan on working for the company?**

**McEniry:** That's a good question and the obvious answer should be yes. However, like most college students, I didn't have a clue what I really wanted to do. I knew I wanted to be in the business world, but I wasn't sure that *nexAir*/Standard was where I belonged. The summer work that I had done was either strenuous or detailed. I liked the people in the company, but I didn't see an atmosphere that really excited me. In the summer of 1963, I had to make a choice. I had just graduated from Vanderbilt University. My dad had built a good business. He was almost 63 years old and, obviously, would have to make a decision about the company's future. I was my parent's only child and I knew my dad wanted me to try the business. I felt an obligation to take a job, try it, and tell him it wasn't for me. He could then do what he felt best with the investment, and I could seek what really suited me. So, I stumbled into the company.

**CGI: Do you think you made a good choice by joining your father's company?**

**McEniry:** It was a terrific choice for both me and my dad. Depending on your point of view, being the boss's son can be either the easiest or hardest job in the world. I sort of lean toward the latter. This is because of the constant comparison and expectation. At first, the job was no more than a continuation of my summer experiences, but after about a year, things changed dramatically. A sales person left the company and I was thrown into his job — a real job and with a well-defined purpose. I found the products interesting and the customers very receptive. I began seeing the company's potential. I also realized that I wasn't being employed because I was my dad's son, but because the company really needed help. The company's possibilities were enormous. The biggest barrier to growth was having qualified people. There were only two people in the company then with a higher education and I was one of them.

**CGI: Are you implying that college educated people were a necessity?**

**McEniry:** No. A college education does not, in of itself, bring any real qualifications. I was a testament to that. I brought no specific talents or skills. There were then, and are today, lots of very talented people that have excelled to leadership positions without the benefit of a degree. I can point to specific people that have gained the equivalent education just through hard work and experience. With that said, I do believe a college education yields advantages like confidence, the ability to navigate in society, and resource skills. The biggest advantage of a higher education is the wisdom to learn what is needed to get to the next level.

**CGI: Did you work well with your father?**

**McEniry:** Yes I did. We thought a lot alike, but we were different.



Senior sales executives provide technical support to the *nexAir* sales force. Years of service are in parentheses. (L to R) Gary Enders (46), Advanced and Technical Sales; Will Freeze (39), Major Accounts; Mike Dlugach (24), Medical Markets.

He was a "do-it-all" kind of person, and had his hands in everything. Most first generation operators are like that. It is a great quality, but it is very difficult to duplicate. I knew that I couldn't, or shouldn't, operate like he did. He was very savvy and we began having some serious discussions about what was needed and what we saw as our biggest impediments. I told him that I wanted to recruit some additional talent. I knew that, if anything happened to him, I was going to be in a world of trouble. I also convinced him that the talent should come from outside the industry.

**CGI: Why did you want to go outside the industry for talent?**

**McEniry:** We were a young industry within which most success stories were people like my dad, self-made men. I use the word men because it was really dominated by men at that time. There was a lack of talent infusion and the industry was not actively recruiting college graduates. When a company needed a salesman, for instance, the first place it looked was its competitors. Consequently, people moved from company to company. My thinking was different. I saw an exciting industry. Coming out of college, I had no frame of reference to make my employment decision. I felt that my self-fulfillment could be used to entice someone else. I was confident that, if I could succeed and be challenged, so could a person with similar background.

**CGI: Were you immediately successful in hiring young college graduates?**

**McEniry:** No, it was a process. By hiring a person right out of college, I was breaking new ground. After finding the right candidate, I had to convince him that we had an attractive position. It took a few years and a lot of searching. I had success hiring some good talent, but finding someone with leadership potential proved more difficult. I had my eye on Bill Vaughan but he, like most educated people, had a good job and was widely recruited. In the meantime, our business was growing at a rapid rate and our need for talent was becoming more acute.

**CGI: So, when did you succeed in finding more than just a college grad?**

**McEniry:** I recruited Bill for almost four years. He was a year behind me at Vanderbilt and I knew he had the leadership qualities I was looking for. Bill entered law school but decided early on that it wasn't for him. He then joined a leading Memphis company and was probably destined to run it. In fact, people were overwhelmed when he accepted the job with our company. Once inside our company though, Bill had to earn his stripes. The employees were not used to a college guy, other than the owner's son, coming in from the outside. In many respects, his experience was tougher than mine. We made it clear from the start that Bill was coming in to be an officer of the company. As he was in his late twenties, from the prospective of the seasoned employee or one that had worked hard in the business, this was somewhat perplexing. I am sure we lost some people because of it. In later years, however, employees came to understand our strategy. In reality, we were doing something that any company that intends to grow should

do. By infusing the company with management, in this case Bill Vaughan, we were enhancing everyone's career rather than limiting their success. At GE or FedEx, management trainees are part of the corporate culture. Why should this be any different at *nexAir*?

**CGI: And your other success stories?**

**McEniry:** At first, it was all new territory. Over time, however, prospective employees could see the result of others who had been through our management training process. The people recently announced as our top management (discussed in the introduction to this feature) are all trainees that went through the *nexAir*

program. Bill Proctor, our new President, is a great example. Bill joined the company in 1988. He went through our entire program, beginning at the plant and then through a variety of warehouse, sales, and purchasing assignments. Steve Atkins, Senior Vice President of Gases, is another example. Steve started in 1987 and because of his propensity and infatuation for gas products, Steve's whole career has revolved around the development of gas markets. Steve started our Beverage Carbonation business, which has grown to a separate division with over 10,000 accounts. Today, Steve runs our gas marketing and administers our bulk gas and micro-bulk program. Kevin McEniry, my son, started in 1994 and followed a similar trek.

Along the way, these men have participated in team play and have questioned everything that *nexAir* does. One of the most important things that we do at *nexAir* is to challenge our young management by giving them significant responsibility. They participate in researching and proving every thing that we do. We have done cost-to-serve models that have questioned every paradigm in the company, and for that matter, the industry.

**CGI: When did your determination to recruit young talent start?**

**McEniry:** It started gradually but, in the last twenty years, we have been very consistent. Any time we have wanted to grow, we have been able to draw on internal talent. I think this is one of the things that attracted the merger with Mid-South. Their stockholders wanted to grow and their management was very intrigued with our management depth.

We have a history of employing college students. For example, Mike Enders, Vice President of Operations, worked for us all the way through college. His father has been a leader in our company for 45 years. Mike graduated in the top of his class from the University of Memphis. We had first-hand knowledge of him and he of us. We treated him like a fresh recruit, but he was a sure thing. Mike is now in his late thirties, with over 20 years with the company.

Another contributing factor was tuition reimbursement. We instituted a tuition reimbursement program in 1996 that enabled many of our employees to go back to school. Chuck Britton, Vice President of Plant Operations, started with us right out of high school as a production employee. After about twelve years on the job, Chuck had taken on a position with a lot more responsibility. He understood that he



Driver and Dispatch Supervisor Travis Jones (center,) with 24 years of service, meets with Chuck Britton (L) and Mike Enders (R). Chuck, Vice President of Plant Operations, and Mike, Vice President of Operations, are 22-year employees who began their career, at *nexAir* as teenagers. Chuck and Mike earned their university degree while working at *nexAir*.

needed communication and analytical skills. So on his own, Chuck returned to school and got his degree. The *nexAir* tuition program helped, but the main commitment came from Chuck.

**CGI: What do you think your focus on trainee programs really does for *nexAir*?**

**McEniry:** By working with people that have grown up in our company, that is, gone through our trainee program, we build a culture. We create a business climate that is conducive to doing business the *nexAir* way. Right or wrong, the business runs like our management thinks a business should be run. If you read *Nuts*,

Herb Kelleher's story of Southwest Airlines, you get a feel for how a corporate culture can be built. Kelleher states frankly that you can train people to be pilots but you can't necessarily train pilots to be people. A close friend of mine was on a bank board with Kelleher and he promoted the same philosophy with bankers. The same is true with our company. It is very difficult to develop a culture if you are constantly bringing in outsiders, particularly in management positions. This is the one big advantage we have over the larger companies. Our culture is consistent.

**CGI: How does *nexAir* lure the good talent away from the guys with bigger bait?**

**McEniry:** We always have some convincing to do. Frankly, we were assisted early on by some poor economic climates in which the bigger companies weren't hiring and graduates were struggling to find a good job. Over time, however, our history of success with graduates had them recruiting for us. Also, though we are small compared to Fortune 500 companies, we are large within our community and we provide benefits that are as good as, or better than, the larger corporations. Best of all, our young employees don't feel lost in a bureaucratic maze. A person at *nexAir* with a good work ethic is rapidly noticed, and we are quick to hand out responsibility. Talented young people, no matter what their education, are challenged. Education just helps.

**CGI: With what sounds like excellent on-the-job training at *nexAir*, why the continued focus on higher education for your management team?**

**McEniry:** Educated people know what they don't know. Motivation prompts people to learn what needs to be learned. In some cases, this may mean seeking more education. As an example, our Assistant Controller Chris Smith started as a trainee in our warehouse, spending two years doing what might be considered entry level work. He had a propensity for analytical and accounting work. His next assignment was in our office. He immediately went back to school, got an MBA, and followed that with a CPA.

My son Kevin, who has assumed the CEO position, spent his early years with the company in sales. He started to understand that the company was investing millions of dollars back into the business each year. Wanting to eventually be assigned a management position, Kevin wanted to be more knowledgeable about finance. He returned to

school and got his MBA. While in school, Kevin and Chris developed a new financial investment model that we use religiously.

**CGI: Where do you find your best people?**

**McEniry:** Everywhere. Recruiting is taken very seriously and seen as a prime responsibility of our top management. In the past four years, we have hired people from The University of Memphis, Tennessee, Mississippi, Mississippi State, Southern Mississippi, Belmont, Notre Dame, Christian Brothers, and South Carolina. We all have our antennas up looking for prospects. Now that we have an established reputation for personnel development, people also seek out *nexAir*. Friends send their sons and daughters to interview or for guidance.

**CGI: How do you go about training your college recruits?**

**McEniry:** When college graduates enter our training program, their first stop is at our gas packaging plant — the heart and soul of the business. A typical trainee will spend seven months to a year at our plant doing entry level work. We rotate trainees through each position. Over time, they will do everything a career person does at the plant. This means loading, pumping, testing, cylinder re-qualification, lab work, and distribution. They are included on teams that study efficiencies. We test our trainees to be sure they are learning everything that is necessary. Candidates are also judged on how they relate to their fellow employees during this apprentice period. This evaluation is essential to later consideration for management.

From the plant, we send some trainees to sales, some to accounting, and some to operations. An engineer, or someone that is mechanically inclined, may continue in production. Our plant has over 70 employees and a lot of processes to be managed. An engineer may find these opportunities exciting.

**CGI: Do you hire people from within the industry as well?**

**McEniry:** Yes, and we have some great success stories. One of the challenges with hiring people that are bred elsewhere in the industry is that they come with their own set of values and ideas about how the business should be run. We don't necessarily go along with every industry practice. For a person to be successful and advance at *nexAir*, they have to be willing to adapt to our philosophies. If they don't, they, or we, will be miserable.

**CGI: Now that we understand how you attract leadership talent, how does management actually manage at *nexAir*?**

**McEniry:** We operate on a very open basis. Our whole management team, about twenty people, meets once a month. We share financials and compare individual business segments. Based on pure data, we decide the course of action. During our meetings, there may be a lot of different ideas put forth, but once we leave the meeting, everyone is on the same page. Over the years, *nexAir* has completely changed its idea about what kind of business we are in.



Financial performance is the key measurement used by the teams engaged in the *nexAir* Strategic Plan. Charged with developing financial models are (L to R) Terry Federline, Vice President and Business Analyst; Chris Smith, Assistant Controller and Information Systems Manager; John Coker, Treasurer and Chief Accounting Officer.

Two years ago, we adopted a three-year strategic plan. Eight people participated in its formulation. We had specific objectives and specific measurements against those objectives. Kevin McEniry was placed in charge of the implementation with Bill Proctor serving as co-chairman. They divided the objectives up into thirteen action teams. There were six to ten people on each team, many of them young members of our staff. Each team went about the objective assigned. Some worked toward cutting operational costs. Others worked on improving profitability. They questioned every process in the company.

**CGI: You said that over the years you have completely changed your idea about what kind of business you are in. What did you mean by that?**

**McEniry:** We are primarily in the gas business. This may sound like a simple statement, but that statement transcends our company. When I came into the business we were a supply and equipment sales company that also sold gases. I, personally, was completely focused on hard good products, both medical and industrial. Today we are a gas business that also sells hard goods. The difference, while subtle, defines how we think we differentiate ourselves. This change in philosophy has been slow but deliberate. In 1996, our gas business was about 35 percent of our revenue. In our latest fiscal year, gases comprise close to 58 percent of our sales.

**CGI: Your revenues from hard goods have diminished considerably. Do you intend to phase out of hard good sales?**

**McEniry:** Not at all. We will never be totally 100 percent gas. In fact, both welding products and sophisticated medical products are interesting and fun to sell. In many cases, they lead to our gas business. But, these hard goods products alone don't define what makes us different from the next distributor. *nexAir* focuses on the main product that separates us from peripheral competition and that product is, of course, gas.

**CGI: What do you mean by peripheral competition?**

**McEniry:** Many of the products we sell are sold by other industries. They place our company in competition with people that, in some cases, are far more efficient than we are. Our industry has basically been a "sell, stock, and service" industry that believes in having branch locations to add to our value. Some of this is true. However, when you get into volume products, an entirely different model needs to be employed. Our competition, instead of being a definable group, is enlarged. Manufacturers (selling direct), industrial suppliers, integrators, on-line suppliers, catalogs, and a host of other competition come into play. The typical distributor model is no longer a standard. Many of our suppliers, recognizing this, have sought out different channels. Certain products that once only a distributor would carry are now available at hardware chain stores and other mass merchandisers. In our medical equipment division, we have been forced to compete with international institutional suppliers. This century's market is a very different place than the one in which our business grew up. At *nexAir*, we

accept this, analyze it, and adjust our approach accordingly. To participate in today's industrial gas and related equipment and technology markets you have to play differently.

In the gas business, *nexAir* is unique, with distinctive product offerings and a very complex infrastructure. The plants, cylinders, trucks, and related safety considerations and regulations related to distributing gases are multifaceted. It is difficult for those that I described as peripheral suppliers, to compete in this arena as the barriers to entry are enormous.



The *nexAir* training program provides the company with its future leaders. Training participants, now in leadership positions, are shown above. Years of service are in parentheses. (L to R) Bill Proctor (19), Michael McFerrin (3), Steve Atkins (20), Chris Smith (11), Kevin McEniry (14), Brian Yarmowich (17), Ben Wingfield (15).

**CGI: Back to the team... Given the size of your company, what did you need to consider in your new management selection and executive transition?**

**McEniry:** *nexAir* represents a large investment and my family holds the majority of this investment. We recognize that first and foremost, as a sizable business, it has to be run well. Whether a family member runs the company or a professional management team, the result has to be as good as, or better, than the alternative investment. Otherwise, the family would be better off invested in government securities.

As the company gets larger, the stakes get higher and our managers are paid on performance, not on family position. The goal of the company is to earn the best return for the stockholders. To do that, we need the best people available and these people may or may not come from the family. We have been fortunate that members of the family are among those selected for management, but it has never been a guarantee.

Time moves on. Our business is no different than any other business. Eventually the management needs to be rotated. The worse thing that a company can do is block its growth by keeping people in jobs beyond their prime. Admittedly, as you get older, your perception of age changes and there are a lot of very productive people in their seventies. However, by the time a person reaches normal retirement age, it is our hope that he or she is financially secure. For a company to grow, it has to yield to a younger group. Over two years ago, Bill Vaughan came to me and set a specific time for his departure. Scott Heppel has also indicated that he wants to reduce his role. By identifying these realities, we have had the opportunity to evaluate succession and make logical choices.

In my case, as I watched the young executives develop, I believed they completely understood our culture and what was necessary to attain our goals. I felt that if I stepped into more of an oversight position, we could do a complete change rather than waiting. The *nexAir* board was helpful in guiding this decision. In the new organization, we formed what we call the Office of the Chairman. Bill, Scotty, and I comprise that office. The result is that, with the promotion of the new younger group, and with the former officers in place, we are able to continue the mentoring process. The day-to-day management, however, is now in the hands of the new officers.

Another important factor we considered when selecting our transition team was how these individuals would be viewed by our employees, our industry, and our community. Continuity is always a concern for employees, customers, bankers, and suppliers. By making our management change in the way we have described, we bring confidence to all of those groups that everything is in place to continue our growth in an orderly manner. I think we succeeded as the management transition announcement was well received by our employees.

**CGI: Your company serves both large and small customers. Earlier, when we were discussing the company's origin, you used the word "small users" in your description of the company's purpose. What did you mean by that?**

**McEniry:** This industry grew up when the distributor's role was to service the small users. Many have already forgotten that all the major gas producers were once very active in the packaged gas business. Distributors were created, or sought out, to serve a sector of the business that was onerous to the major suppliers—the supply of gas and related equipment to a myriad of end-users. Over time and as the major gas companies exited the packaged gas business, distributors gained the capability and capacity to become the most efficient channel to larger consumers as well. Concurrently, with the growth in gas applications and the development of technologies that used large volumes of gases, the major gas producers' attentions were drawn to markets that demanded their full attention and consumed their capital. Those markets led to on-site plants, or applications that engulfed truck load quantities. In short, the majors had bigger fish to fry. Distributors, on the other hand, were enamored with the smaller applications that the majors somewhat abandoned.

**CGI: But, not all major gas producers left the smaller applications market.**

**McEniry:** True. The biggest exception to that trend is Praxair. Through Praxair Distribution Inc. (PDI), Praxair is still in packaged gas business. Interestingly, they did make an early effort to exit this business and then later reversed their decision. In that interval, they lost some ground. Since then, PDI has refocused and revitalized the company and provides a good return to Praxair. But even with its size and abilities, PDI is a small part of Praxair — about 15–18 percent by my estimation. I think that this percentage will continue to get smaller, not because of PDI's performance, but because of the overall opportunities on the horizon for gases in general.

Our company is delighted to have Praxair in the packaged gas business. As larger players have exited, the knowledge and production information exited with them. Today, there are very few experts left in the industry that know the subtleties of gases and packaged gas production. Acetylene is a prime example.

**CGI: What does this mean for the packaged gases industry?**

**McEniry:** There is a vacuum of available information and this

will be a challenge to our industry. Since the major producers exited the packaged gas business, many of their technical experts have retired or gone into private practice. Distributors need someone to turn to in matters of safety and best practices. Without the majors' presence, distributors will have to seek out assistance, or build it from within. Smaller distributors will be hurt the most.

The consolidators have been focused on buying the industry. Airgas is obviously the largest and most dominant player but as a company, they are new to the industry. Overtime, Airgas will have to fill part of the information gap. Likewise, companies like ours will also have to provide that kind of support.

**CGI: Give us some examples of what you describe as the "vacuum of information."**

**McEniry:** There are many. I mentioned safety. In the process of packaging and distributing gases, there are certain nuances in everyday production. These may be pump sizes, efficiencies, maintenance practices, testing, compliance, or handling. Sure, many of today's practices are standard, but who really oversees them, questions them, or formulates the next procedure. Periodically, at *nexAir*, we want someone to come into our own facilities and audit what we do.

The other big missing piece is the introduction of new products, or new delivery methods. These have traditionally come from the majors. Gas mixtures, cryogenic service, and micro-bulk delivery methods are examples.

**CGI: How would you describe the business differences between *nexAir* the distributor and *nexAir* the "Super Regional?"**

**McEniry:** Most of the change is a matter of scale. Years ago, nearly everyone in the industry was roughly the same size and was locally owned. Today, our competitors are either very large or very small. Our major competitors are large national, or international companies.

Another change from the past is the demand for capital. Earlier our capital was mainly for accounts receivable and inventory. Today, it is for long-term investment. A bulk gas installation today can range from \$25,000 to over \$100,000 in investment. Micro-Bulk installations are very expensive also. In our beverage carbonation business, an installation today can cost from \$2,000 to \$4,000. We have close to 10,000 of these installations, so our capital commitments are substantial. With this capital emphasis, you need a whole different type of management discipline. The Bulk and Beverage businesses are long-term and need finance prospective. Contract administration is essential and the management has to be in sync with the market dynamics.



The *nexAir* Area Managers and Area Vice Presidents are responsible for Marketing and Sales. (L to R) Jerry Bayless, West Tennessee and Missouri; Mike Devine, Middle Tennessee and Northern Alabama; Merrel Pennington, Mississippi and Louisiana; Jeb Barlow, Arkansas; Brian Yarmowich, Alabama and Georgia; Ben Wingfield, Memphis. Wingfield also serves as Dry Ice Marketing Manager.

Operationally, we have to be looking constantly at our costs. Our filling plant, which runs 24/7, needs to run more like a manufacturing plant. Operational excellence, maintenance, and safety are a major focus. In our equipment and supply sector, centralization of certain functions is essential. Outsourcing of distribution, whether by drop-ship or delivery, is vital to remain competitive.

**CGI: What, in your opinion, is the future of the small distributor?**

**McEniry:** There will always be a place for the smaller operator. These will be niche players or distributors confined to a specific geography. The challenge to the smaller operator is real growth. Growth for the small operator will be easier in the equipment and supply sector as the barriers to entry are few. So, the smaller operator will have a high percentage of hard goods revenue.

The gas business will be more of a challenge. Unless it is a niche market, new businesses offering gases will be impossible to start up. Obtaining or keeping large cylinder gas volumes will be more difficult because more efficient delivery systems (bulk, micro-bulk, or tube trailer) demand large infrastructures. With the consolidation of the market, it is very difficult to initiate or to move into new geography. With the absence of the majors, the smaller operator will need to forge new alliances with either a consolidator or a large regional company like *nexAir*. While these associations were deemed unholy in the past, these could be really good for both parties. The small distributor may be the best channel to certain accounts, or to certain geographies. As I noted earlier, this was the case for the creation of distributors by the majors in the first place.

**CGI: What is in *nexAir*'s future?**

**McEniry:** We have excellent management, advisors, and a Board. We measure ourselves against every possible comparison, inside and outside the industry. Financially, we are in outstanding shape.

I think we will continue to grow organically, and by acquisition. Our underlying framework and organization will support growth with very little additional cost. We have access to capital to continue investing in the business. We work well with suppliers and receive a lot of support when we expand.

We are an attractive acquirer to companies that want to sell their business. We have a good track record for growing both people's careers and companies. Where employee or family retention is a consideration, we ought to be preferred.

We see a very bright future for *nexAir*. □



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