

# Modern Metals

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## A BRIDGE BETWEEN MARKETS

**Peng Cheng  
Aluminum**  
builds a  
foundation  
for domestic  
business

aluminum

# BRIDGING THE GAP



BY LAUREN DUENSING

According to Chinese legend, the Peng is a big and powerful bird that can fly a great distance while Cheng means the geographical span of a journey. With this in mind, Peng Cheng Aluminum Enterprises Inc. USA is aptly named.

Competition is increasing in the global market and business conditions get tougher every day. But the key to success is remarkably simple: Pick a model that works.

Some domestic companies choose to do business solely within U.S. borders, other domestic operations partner with offshore companies and some offshore companies open facilities domestically.

Peng Cheng falls into the third category. It is a wholly owned subsidiary of a top-500 company in China, which became part of the U.S. market four years ago when it opened Peng Cheng. The

company connects its mill operation halfway around the world with the burgeoning aluminum market in the United States.

#### Putting down U.S. roots

The aluminum division of the Chinese parent company's vast holdings is "by far the largest," says Mike Browand, CEO of Peng Cheng, so it made perfect sense for the company to "promote itself in one of the largest aluminum extrusion markets in the world."

Today Peng Cheng has regional sales offices and distribution throughout the United States, as well. "We hold customers' inventory, distributor-type shapes, including rod, bar, channel and angle, and I-beams," Browand says, "the types of profiles our customers ask us to inventory for immediate shipment. We have a wide arrangement of custom profiles, and I would say probably 30 percent to 35 percent of our inventory volume in our warehouse is distributor-type shapes that we sell to the major dis-

tributors in the United States."

Browand says that the company had no problem creating a diverse U.S. customer base. He comments that everyone is looking for a price advantage. "In an industry built on pennies, if you can offer a price advantage, people are interested in talking to you. In these times, manufacturing looks for any advantage available. These cost savings are real and add to the bottom profit of a company. Global sourcing has become an important part of this throughout the United States. A number of domestic mills have already or are working to associate themselves with offshore extruders to offer this advantage to their customers, as well."

The main markets Peng Cheng serves include the RV industry, building and construction, distribution and consumer durables. "Really, the only market that we haven't really had a lot of success in penetrating is the truck trailer market," says Browand. "That's due mainly to the length of the profiles that they're asking

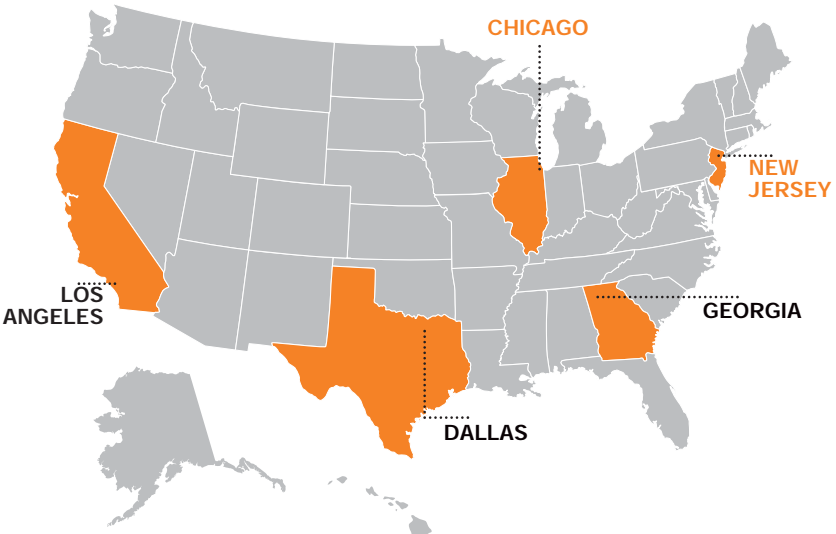


Bringing its business to U.S. customers has proven fruitful for **Peng Cheng Aluminum**

us to provide. You just can't get a 53-foot extrusion into a 45-foot container."

Dealing with Peng Cheng isn't much different than dealing with a domestic mill, Browand notes. Customers that deal with Peng Cheng "are dealing directly with the mill in China. They're not going through a third party or rep group." Browand says that the majority of Peng Cheng's employees also work directly for the company. "With all but one exception, our sales staff works directly for Peng Cheng. They draw salaries, commissions and receive benefits. We feel we have Peng Cheng set up more like any other domestic extruder where you have factory people selling the product for you."

From the beginning, the company's business tactics stood apart from other Chinese operations. "They were operating off a letter of credit, container direct, and not all customers can handle that," Browand notes. "There was enough foresight to establish a U.S.-based corporation with local warehousing. We were flexible to our customers'



**LOS ANGELES** **CHICAGO** **NEW JERSEY** **GEORGIA** **DALLAS**

**FROM COAST TO COAST**

Peng Cheng's domestic reach is firmly planted. Locations in orange are tentatively slated for construction and will serve as an extension of the company's current distribution capabilities.

needs. If you tell a potential customer they have to buy it container direct, use a letter of credit or even pay for material 30 to 60 days in advance of receiving their metal, you're

reducing the amount of customers that can or want to deal with your company."

Therefore, to maximize its possible customer base, Peng Cheng set up its U.S.



## *PENG CHENG SERVES THE RV, BUILDING AND CONSTRUCTION, DISTRIBUTION AND CONSUMER DURABLES MARKETS.*

operation. "We offer standard industry terms," says Browand. "We offer credit and local stocking inventory." And bringing the inventory into the United States allows the company to provide its customers with material on short lead times. "If we ship from China, we have an additional three to five weeks ship time, and that would push us out considerably past domestic mill lead times. But if we bring in inventory based off a quarterly purchase order, keep the material in inventory and ship it to the customer as needed, it basically becomes a JIT program for our customers, although we do have a number of customers that receive container-direct shipment to their factories.

"There's a difference between the price of aluminum and cost of aluminum. We have actually reduced the cost of [our customers'] aluminum. They're not required to buy a certain amount of pounds and have it sitting on the floor while waiting for it to go through the manufacturing process. They can get it from us in two or three days from the release date and keep their lines running without the large outlay of capital to buy quantities of aluminum extrusions."

A global base has a plethora of advantages in today's international economy. However, Browand notes that there are a few minor stumbling blocks to the company's global roots on the fabrication side of the business. "We're moving into fabrication, and we do get a lot of requests for fabrication. Although, some of it we're not able to fulfill at this time." However, the company is maintaining its growth strategy. "We're currently building a new factory in China for fabrication, and once that factory is complete and staffed with people and equipment, we're going to be able to offer the fabrication that our customers are looking for. The other area that I've found, when you get into the defense or military-type contracts, as there are restrictions and guidelines to buying globally." The company, however, is planning to address these concerns with its future growth plans.

### **A vertical leap**

The group plans to continue its growth trajectory, both here and abroad. Browand says that he's looking at the possibility of opening a PCA-controlled warehouse in the Atlanta area, bringing the material in through the Port of Savannah. "With this warehouse, we would have distribution on the eastern half of the United States as well as the western half," he notes. "We're trying to reduce our transportation costs, as everybody is now with fuel surcharges being tacked on to deliveries.

"We have a lot of new and exciting things that are coming," Browand continues. "We are in the process of a \$40 million [U.S. dollars] expansion. We're putting in new casting facilities that are going to allow us to cast and extrude 1000-, 2000-, 3000-, 5000-, 6000- and 7000-series alloys in addition to the 6000 series now being produced. This should be finished about mid-year 2008. In addition, we're installing a vertical heat-treat system for the hard alloys so we can run aircraft profiles. In the near future, Plans also include a rolling mill so we're going to be able to offer sheet, plate and coil aluminum material." Also on the to-do list is putting in its own reduction mill for changing bauxite into alumina.

In short, Peng Cheng Aluminum Enterprises Inc. USA, was created with the thought of having the best of both worlds. The company has the resources located in China and the facilities here in the United States to continue its journey well into the future. ■

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