

# Building the Brand

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Minneapolis Oxygen Co.  
Bucks Consolidation  
Trends in the Industrial/  
Specialty Gas Industry  
Through Diversification  
– and Building on Its  
Impeccable Reputation

BY PATRICK LAPINSKI

**T**here should be a sign for businesses that says: “Warning: Working without a dependable supply chain and an intelligent distributor can be fatal.”

Consider Napoleon’s 1812 military campaign. He began with a large expeditionary force when he entered Russia, but without a supply chain was unable to sustain his army. Forced to retreat, Napoleon’s once huge army

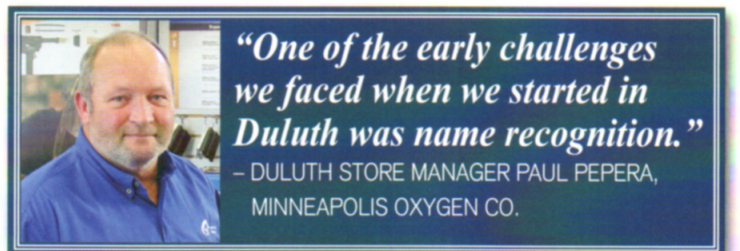
had dramatically dwindled by the time it returned home.

True – most of us can’t relate to Napoleon’s downfall, but the example serves to demonstrate why wholesale distributors are the lifeblood of many businesses.

The Minneapolis Oxygen Co. is a wholesale distributor in one of the most interesting supply markets – industrial and specialty gases. But before we delve too deeply into the company’s products and services, let’s take a look at how it was established in the Duluth area.



From left: President Mark Falconer, General Manager Kevin Falconer and Vice President of Sales Jim Warrick.



### THE FAMILY-OWNED BEGINNING

The Minneapolis Oxygen Company was founded in 1947 as an independent distributor of industrial gases, medical gases and welding supplies. Its “MO2” logo is a clever take on the O<sub>2</sub> chemical symbol for oxygen gas and also serves as an abbreviation for the company’s name.

“We’re a family-owned business – independent. We live with our customers,” said company President Mark Falconer about the firm’s Minnesota roots. Since its inception the

company has expanded to include three locations in the Twin Cities metropolitan area and most recently in Duluth.

The Falconer family involvement with MO2 began in 1956 when Falconer’s father, Sidney, began working as the firm’s manager of sales. Along with a silent partner, the elder Falconer purchased Minneapolis Oxygen in the early 1960s.

Mark Falconer – an easygoing, affable and well-liked businessman who virtually grew up with his company



– speaks candidly about the legacy he has inherited and about what keeps him personally invested in the business.

“I’m 64 years old and I’ve been in it all my life, obviously, for the most part – other than a paper route,” he said. “I think one of the things I’m most proud of is the fact that we’ve always been a good company for employees to work for. We have a lot of long tenured employees, we have a lot of dedicated employees...we try to be a good company for our customers to work with.” As a result, Minneapolis Oxygen is a company with an impeccable reputation to work for – and with.

Jim Warrick, vice-president of sales, extends this philosophy to the business’s customer base. “At Minneapolis Oxygen, we believe in building long-term relationships with our customers,” he said. “You build relations by building their trust, spend time with them and handle them [their needs] in a quick fashion.” Warrick is dedicated to quality and service and has been with Minneapolis Oxygen for 35 years.

M02 entered the Duluth market in 1994 as a key supplier to Williams Industrial, one of two similarly named spin-offs of the Duluth-based Williams Supply Co. Williams Industrial’s primary markets were medical and home health care products. But when the firm’s owner expanded into the industrial welding market, he simply didn’t have the buying power to compete and eventually reached the decision to sell the business to M02 in 1999.



***“The service is the biggest factor we have.”***  
 – VICE PRESIDENT OF SALES  
 JIM WARRICK, MINNEAPOLIS  
 OXYGEN CO.

“We’ve come a long way since we bought it,” said Paul Pepera, operations manager of the Duluth location. “One of the early challenges we faced when we started in Duluth was name recognition. We kept the Williams name just because Minneapolis Oxygen was not known up here on the [Iron] Range and in the Duluth area for a time.”

Since arriving in October 2000, Pepera and his team at the Duluth branch have worked hard to establish the company brand, grow the business and build long-term relationships with customers.

Today, M02’s fleet of vehicles travels daily throughout the Northland to resupply and service nearly 600 customers with a variety of gas products. The sales territory, once confined to Duluth, now extends up the North Shore of Lake Superior to Schroeder, along the South Shore to Iron River and Ashland in Wisconsin, south towards Moose Lake, Minn., and into the mining and energy region of the Iron Range.

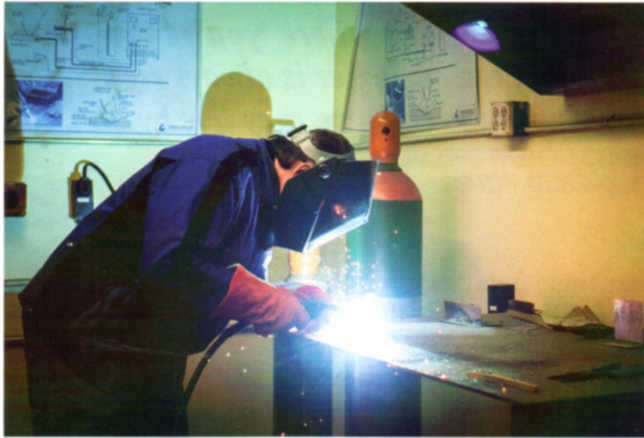
“We deal a lot with Minnesota Power; they’re a big customer of ours,” Pepera noted as he described the company’s growing presence in the Twin Ports. “We do a lot in the mines, a lot in welding shops, fabricating shops, dentist offices.”

Dental offices? Yes, indeed, but more on that later.

***“Their sales people spend time on our shop floor, so they understand how we are using their products.”***

– PRESIDENT DAVID MEIERHOFF, BENDTEC





## FORGING A WELDING MARKET

The welding market that was so elusive to Williams Industrial is an important part of M02's customer base in Duluth. Minneapolis Oxygen supplies carbon dioxide (CO<sub>2</sub>) and argon welding gases and welding supplies to heavy manufacturing companies such as Industrial Welders & Machinists in Duluth, Ashland Industries in Ashland and Minnesota Power.

Randy Abernathy, president of Industrial Welders & Machinists, is very satisfied with his business's association with Minneapolis Oxygen Co. "We do a lot of maintenance and repair work, primarily for the mining industry in the taconite mines," Abernathy explained from his office in Duluth. "They are our main supplier." He noted that his welding crews can easily go through 5,000 pounds of welding wire in a week. "We're a good sized customer for them in the amount of wire that we buy," he said. "They do take care of us real well."

The ability of M02 to develop and service key customers like Industrial Welders has helped the Duluth office expand to 4,800 square feet, more than double what it was a few years ago, Pepera said. The Duluth office has added a small bulk tank farm on-site in order to refill cylinders and supply stand tanks at customer locations. The additional space also helps M02 to keep a larger inventory on hand to quickly respond to the needs of customers.

"The service is the biggest factor we have," said Warrick, whose sales and support team never, ever takes customers for granted, because they know that in a service-oriented business, the customer is king. It's this ability to react to their clients' needs, he believes, that separates M02 from the competition.

***"They do take care of us real well."***

— PRESIDENT RANDY ABERNATHY,  
INDUSTRIAL WELDERS & MACHINISTS

"I think the biggest thing we offer is the speed and ability to get to the customer and handle their needs in a quick fashion," said Warrick, "walking through their shops, working with them and showing them where we can save them some money, how they can make their shop more efficient or their business more efficient by doing business with us." That's what leads to repeat business and solidifies M02's hard-earned reputation as the supplier of choice.

Another locally owned, multigenerational family business that works directly with Minneapolis Oxygen is BendTec. "We buy welding and cutting gases, abrasives and welding consumables from Minneapolis Oxygen and their service is exceptional," said President David Meierhoff.

BendTec bends and fabricates large diameter piping systems for energy markets (pipelines and power plants) at its two plants along Garfield Avenue. Make no mistake; while the product that M02 provides is important, it's the level of service and commitment that comes to mind when Meierhoff talks about the company.



“Their sales people spend time on our shop floor,” Meierhoff explained, “so they understand how we are using their products and how they can best tailor their services to meet our needs. Mike Horvat [a Duluth-based salesman for M02] has been instrumental in building and maintaining a positive relationship with BendTec.”

### GROWTH IN SPEC GASES

Nationally, welding gases comprise a \$16 billion market. Within this industry, specialty gases make up about one-fourth of the market. Some of the growth drivers include more stringent regulations on air emissions, increasing use of high-tech and electronic devices and an aging population that is creating a higher demand for health care needs.

Specialty (spec) gases, such as nitrous oxide used in dentistry and surgery, are widely used in the medical professions. Cryogenic gases, including liquid nitrogen and liquid helium, are in cool-down magnets in MRI (magnetic resonance imaging) technology and are also used to freeze

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– PROCUREMENT SPECIALIST TRACEY MATTFIELD,  
MINNESOTA POWER

everything from drugs to bull semen for livestock breeding.

Ever wonder how those potato chip bags get so puffed up, what puts the fizz in your soda or what gives your coffee container the fresh sounding “pop” when you open it? The food industry uses nitrogen in its packaging processes, extending shelf life for cheese, meats, poultry and more. The high-tech world of consumer electronics also utilizes specialty gases in their manufacturing processes. And the use of liquefied natural gas (LNG) will soon be germane to our local economy when it becomes the fuel of choice for several Great Lakes shipping fleets.





From left: Account Manager Mike Horvat, Operations Manager Paul Pepera and Office Manager Dawn Russell of the Duluth location.




In the energy industry, spec gases are increasingly being used in the federally mandated monitoring of emissions. Minnesota Power is a huge customer for these protocol gases from Minneapolis Oxygen Co.

When asked if she could live without M02 as a vendor, the reaction of Minnesota Power's Tracey Mattfield was instantaneous. "I cringe by you saying that," she responded, "because each of us buyers are split up by commodity. These gases are one of my commodities. They just go above and beyond and make my life simpler – such that I think starting over with someone else, I just don't know that we would get the response and the service that we currently have."

Mattfield is a procurement specialist who works with vendors throughout the region. The utility uses specialty CEMS (Continuous Emissions Monitoring System) gases to monitor flue gas levels from its power plants for oxygen, carbon monoxide and carbon dioxide.

The level of service Mattfield and Minnesota Power receive from M02 is one she has come to depend on and has never had any reason to question. Minneapolis Oxygen Co. conducts quarterly cylinder audits "like clockwork,"

*“You’ve got to keep your thinking cap on and listen to your people and not be afraid to try some different things.”*  
 – PRESIDENT MARK FALCONER,  
 MINNEAPOLIS OXYGEN CO.

Mattfield said. M02 is prompt in offering volume-based rebates, she added, and when Minnesota Power changed its purchasing software, Minneapolis Oxygen Co. configured its supply chain process to work with Minnesota Power’s new process.

Mattfield speaks highly of Mike Horvat and the Duluth team at M02. “There have been two or three instances where he doesn’t carry the product and he has done some checking,” she said in citing an example of the company’s dedication. “And within a couple of hours he has called me back and said, ‘You can get this from XYZ company and here’s a contact that will help you with that.’ The whole saying where ‘you’re the customer, the customer is always right’ – Minneapolis Oxygen, they live by that.”

**BUCKING “DOWNSTREAM INTEGRATION”**

One of the looming trends in the industrial and specialty gas industry is consolidation of regional and local independent distributors into the larger national and global consortiums. Minnesota has already seen hundreds of distributors swallowed up by these larger conglomerates. The trend, called “downstream integration,” challenges independent firms such as Minneapolis Oxygen Co., but Falconer remains optimistic about the growth of his company and its future.

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"It is a growth industry," Falconer said. "We're growing; we're not backing up. There are some product areas that aren't as strong as they were five years ago, 10 years ago. But at the same point in time, we've diversified and added other products that are potentially growth areas and allow us to keep moving forward."

The quality and purity of the gases supplied to its customers is of utmost importance to Minneapolis Oxygen Co. The company recently installed its own lab in Minneapolis for blending and testing the hundreds of specialty gases that it handles. The firm is also increasingly moving from traditional cylinder tanks to bulk stand tanks for its customers. The ability to fill orders for spec gases gives MO2 a quicker lead time for customer needs, while the use of bulk tanks also provides clients a better price and a larger on-site supply of product.

For the present and future course, Mark Falconer and Minneapolis Oxygen Co. will continue going toe-to-toe with the competition while growing their share of the market.

"You've got to be opened minded. You've got to keep your thinking cap on and listen to your people and not be afraid to try some different things," said Falconer. "You want it to align with what you're doing, you want it to fit in. But

at the same point in time, you've got to give some things a try. Otherwise you get stagnant and you're not moving forward."

That's a sound business philosophy to ensure an even longer track record of success for Minneapolis Oxygen Co. 

► Patrick Lapinski is a freelance writer.



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Jason Wussow - Beaner's Central Concert Coffeehouse, Duluth



For Jason, composting is a "no-brainer." His efforts in composting coffee grounds, filters and more keeps waste out of landfills – and transforms it into a valuable resource. Proving one cup of coffee might just change the planet.



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